eastern
ECONOMIST
JULY 28, 1978

C.F.T.R.I., MYSORE

With apologies to
S. K. Biswas, IAS Special Secretary, Finance and
...ter of State Lotteries, Government of U. P.

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.,

(PULP DIVISION)

Birlakootam, MAVOOR – 673 661 Kozhikode Dist. KERALA.

(Regd. Office : Birlagram, Nagda, M. P.)

HELPS

To move the wheels of textile industry all over India

Thus saving enormous foreign exchange

Much needed for National Development

THIS IS A FOREST BASED INDUSTRY

DO NOT DESTROY FORESTS

GROW MORE TREES

CONSERVE FORESTS

ENCOURAGE AFFORESTATION

"He that planteth a tree is a servant of God. He provideth kindness for many generations and faces that have not seen him shall bless him."

Gram : "WOODPULP" Calicut
Telex : 084 - 216

Phone : 73973-74, Calicut
51 and 52 Mavoor

(Use PIN Code. It Helps Speed Up Your Mail)

eastern
ECONOMIST

VOL. 71 NO. 4 JULY 28, 1978
Price Rs 2.50

Food Science & Technology Information Service
19 AUG 1978
C.F.T.R.I., MYSORE

Janata lottery

If "uneasy lies the head that wears a crown", the lot of the king-makers seems to be hardly happier. Acharya Kripalani regrets having got involved in "the selection of the prime minister last year". His is not the first confession of the kind. Kamaraj too got into cursing the day when he contrived a consensus in favour of Mrs Indira Gandhi. To some extent the king-makers are also responsible for their predicament. Few of them could give up the desire to be the power behind the throne. Take the Acharya himself. Not very long ago he said that he was retiring from politics because the political games that were being played disgusted him. However he has not been able to stay out as his recent statements or activities show. If anybody really expected him to declaim "A plague o' both your houses!" and leave it at that, his disappointment must be deep.

It is in the nature of men who have been playing a part of any importance in public life to assume that they are more important than others are prepared to grant. Look at Mr M.R. Masani. Some of his grievances which led him to resign the chairmanship of the Minorities Commission were probably legitimate, but the dominant notes in his complaints to the prime minister (or against him) are those of peevishness and petulance. The impression we get is that, whether the responsibilities of the chairmanship of this important commission had induced in him a sense of humility or not, its status-implications seem to have carried him off his feet. Given this environment for public affairs, Mr Kripalani's questions "What are they fighting for? What more powers can Mr Desai have and what more powers Mr Charan Singh could possess so long as Mr Desai is prime minister?" carry their own answers.

The troubles of the Janata party are not of a kind which could be left to Time to solve. This is why it is so unfortunate that so many Janata leaders are keen on evading issues. There could be a certain amount of sympathy for Mr Desai when he protests against the politics of procrastination. At the same time, Mr Vajpayee's attitude is not without justification when he chooses to emphasise the overriding importance of the party refraining from risking a split. The two approaches, obviously, will have to seek common ground and the longer it takes them to do so the stronger will become the strains on party unity.

Hence it is that the due holding of the parliamentary party and organisational elections becomes somewhat more consequential than Mr Vajpayee was prepared to allow when he declared last week that a party did not live by elections. Thanks to the circumstances of Mr Charan Singh's exit from the cabinet, a situation has arisen in which the Janata dissidents find themselves at a certain advantage in the bargaining that is going on over the restoration of a working agreement among various factions. Since they have less to lose they can afford to demand more. Mr Desai and his advisers have the unenviable task of attempting to strike a balance between his own preference "to stick to certain principles" and Mr Vajpayee's warning that it would be unwise to throw the Book at anyone, or at least at those who could and would make trouble. Meanwhile, the Janata power struggle is regrettably leaving behind even the law of the jungle, which at least ensures the survival of the fittest and is fast taking on the appearance of a Janata lottery in which the Devil, presumably, is expected to look after His own.

Engineering units : better days ahead

EVEN THOUGH the ninth trends survey of the Association of Indian Engineering Industry, covering the near-term outlook for the six months to September and slightly longer run prospects up to March next year, has been somewhat vitiated by the lower response of respondents compared to the previous survey conducted in October last year, yet it has thrown up some useful results regarding the state of the industry, particularly in respect of capacity utilisation, production costs, constraints on output and export outlook. The previous survey was responded to by as many as 220 companies in so far as the total trade of the industry was concerned and 183 companies in respect of export business. The latest survey could elicit information from 189 and 142 respondents, respectively, although the questionnaire was sent to as many as 1231 units.

brightened prospects

The overall business prospects for the engineering industry, the survey reveals, have brightened somewhat compared to the eighth survey forecast. This is reflected not only in an improvement in capacity utilisation during the six months to March last but also in a shade better confidence about the outlook during the current financial year. The percentage of respondents reporting capacity utilisation between 61 and 80 per cent went up to 33 from 25 expecting this level of performance in October. Of course, there has been a drop of one percentage point in the respondents reporting capacity utilisation over 80 per cent. This probably has been due to some constraints on production rather than owing to demand.

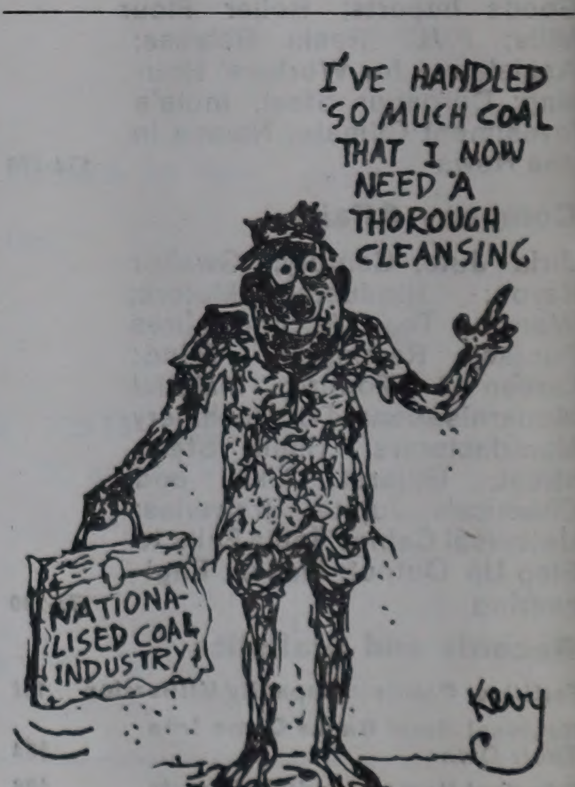
Further improvement in capacity utilisation in the near future is indicated by replies to two other questions. Fifty-four per cent of the respondents to the ninth survey have forecast that the total orders with them will go up in the six months to September, as against 47 per cent doing so in the eighth survey. Sixty-two per cent of the respondents expect even higher value of output during the April-September period, as against 49 per cent in the previous survey. Another indication available of growing business confidence is that the percentage of respondents expecting higher stocks of raw materials and bought out supplies has gone up from 32 in the eighth survey to 44 in the ninth survey and a lower percentage—48 as against 55—has reported no change in trends regarding stocks of finished goods.

capacity utilisation

Interestingly enough, the respondents generally do not expect to authorise more capital expenditure during the current financial year. This presumably is due to the fact that the overall capacity utilisation by and large still leaves much to be desired.

The trends in cost of production appear to have aggravated to some extent during the six months to March. Sixty-one per cent of the respondents have reported a rise in the average cost per unit of output, as against 53 per cent expecting it in October. Fifty-nine per cent of the respondents in the ninth survey anticipate a further rise in costs during the six months to September. As against this, the average selling price is expected to remain unchanged up to September by 61 per cent of respondents. In the previous survey, 70 per cent of the respondents had anticipated such a phenomenon and 65 per cent actually observed it. The recent hike in the prices of steel, which came after the latest survey had been conducted, however, should upset all these calculations. The full impact of the newly imposed excise duties on power generation and coal, probably, is also not reflected in the survey. It remains to be seen whether the industry will be able to pass on the higher production costs in their entirety to the consumers so that its profitability is not impaired.

The ninth survey confirms that power shortages, lower orders from public sector undertakings, central and state governments and quasi public bodies as well as deterioration in industrial relations have significantly affected output during the six months to March. Production during this period also came under strain to some extent due to paucity of funds and restricted availiablity of non-ferrous metals and some categories of steel. The situation in respect of power supplies is expected to improve during the six months to September. But unless concerted action is taken to contain labour unrest, increase the level of orders from the public sector, central and state governments and quasi public bodies, augment supplies of essential material inputs, primarily through imports, and facilitate provision of credit, the overall output of engineering goods cannot show any buoyancy. Industrial relations might come under further stress due to inter-union rivalries on wage revisions and bonus during the next couple of months. The government has promised decision on bonus during the current session of parliament. It is hoped it will be taken soon so that one major irritant in the industrial relations sphere will be removed before the situation starts aggravating.



Upward revisions in credit limits for engineering units are warranted owing to escalating production costs and the increasing requirements of credit to be provided by the industry to its consumers.

The industry, according to the ninth survey, is apprehensive of future export prospects. Only 41 per cent of the respondents have expressed optimism about better export trends, while 46 per cent expect the current trends to continue. In the eighth survey, the two percentages were 56 and 33, respectively. The expectations about improvement in exports, either due to increase in physical quantities or owing to higher value did not materialise to the normal extent during the six months to March. Despite increase in production costs, 74 per cent of the respondents in the latest survey anticipate the October-March trends to continue up to September in regard to the average price for export orders. The levels of export orders from the old customers as well as from the new ones have been only marginally different from anticipations during the October 1977-March 1978 period. The major factors that might inhibit exports during the six months to September, the survey reports, include matching of prices and delivery schedules to those offered by competitors and difficulties in obtaining shipping space.

In the light of the above, it is difficult to say whether the ambitious target of stepping up exports of engineering goods this year to Rs 720 crores from the provisionally assessed level of Rs 625 crores last year will be achieved. During April and May these exports have been of the order of Rs 97.15 crores—Rs 10.05 crores more than those during the corresponding period last year. It is worth noting here that last year also, exports of engineering goods (as assessed at present) fell short of the target by Rs 25 crores.

Power planning in the south

THE RECENT developments in the southern region, particularly in Andhra Pradesh, have great significance from the point of view of distinct improvement in power availability in the coming years. The happenings in Andhra Pradesh now taking place could not have been dreamt of a few years ago. Indeed one wonders why there was earlier vacillation in the exploitation of hydel resources of the Krishna river when it was quite clear that the penstock pipes embedded in the Nagarjunasagar dam could have been utilised for generating hydel power even by using irrigation discharges as is now being done under the Mettur thermal scheme in Tamil Nadu. It has been stated that the pending inter-state disputes regarding the use of the Krishna waters were responsible for the delayed implementation of the Nagarjunasagar potential. It passes one's comprehension why the sets now proposed to be installed could not have been erected earlier as the irrigation discharges were adequate to generate seasonally the contemplated blocks of power with high-power units. For a time there was too much pre-occupation with the idea of the pumped storage scheme, even when it was apparent that no surplus power would be available during non-peak hours in the night for pumping back water and maximising peak generation.

The installation of reversible turbines is now being contemplated in the belief that it would be possible at some stage to operate also the pumped storage scheme during non-irrigation seasons with the construction of barrages and the requisite discharge facilities.

The reversible turbines proposed to be erected will presumably be used only conventionally, till such time as the pumped storage facilities are created and put into operation. The additional cost is considered worthwhile as prices for generating sets are bound to increase over a period. What is however important is the fact that the Nagarjunasagar dam will be having a capacity of 810 MW in eight sets consisting of one conventional unit of 110 MW recently commissioned by the president, Mr Sanjeeva Reddy, and seven reversible turbines of 100 MW each. Even on the basis of an operating ratio of 30 per cent, over 2200 million units would be available from this source on a cheap basis. As the Krishna waters are abundant and there has been no failure in recent years even a higher ratio can be assumed.

It can easily be imagined what colossal waste of hydel power there is because of the delayed implementation of this scheme. There is no use bemoaning this loss. What is now required is the maximum emphasis on the completion of the project in the shortest time possible. There will also be two units of 30 MW in the Nagarjunasagar right canal power house. The four reversible units in the first stage are scheduled to be in operation in 1979-81 and the right bank canal units in 1981-82. It has to be planned from now for installing the remaining three reversible units in the second phase.

operating ratio

The Srisailam project also has taken shape and two units of 110 MW will be on bars by 1980-81 and two more units in 1981-82, all units having a capacity of 110 MW each. It is learnt that a high operating ratio can be achieved under this project and more units of similar capacity can be installed on a continuing basis. The facilities of the Sileru river basin will also be fully exploited with two units of 30 MW at Balimela and two units of 60 MW at Upper Sileru. There may be other small hydel units while the potential of the Godavari river is yet to be exploited. The Pochampad project and new barrages contemplated lower down the river have their own hydel potential.

On the thermal front, there are equally important developments. The Vijayawada thermal station will be commissioning two units of 210 MW in 1978-80 and the Bhadrachalam thermal station, one unit of 210 MW in 1982-83. It has also been decided by the central government that the Godavari super thermal station should be erected at Ramagundam with a capacity of 1130 MW in the first stage, there being three units of 230 MW and one unit of 500 MW. The super thermal station will be constructed by the Central Electricity Authority, so that the state electricity board is free to concentrate its attention on the numerous

ongoing schemes and complete them on schedule or even earlier. The phenomenal growth it is expected to achieve during 1978-83 will be evident from the following details.

The capacity at the end of 1977-78 was 1500 MW. It will increase to 1820 MW in 1978-79 with the commissioning of the first conventional hydel unit of Nagarjunasagar and the first unit of Vijayawada thermal station. The addition to the generating capacity in 1979-80 will be 410 MW, in 1980-81, it is expected to be 420 MW, 1981-82, 365 MW and in 1982-83, 330 MW, the aggregate capacity at the end of the sixth Plan being 3,345 MW. If the capacity of the 1,130 MW of the Ramagundam super thermal station is taken into account, the aggegate capacity will rise to 4,500 MW with thermal content being well over 50 per cent.

additions to capacity

The massive additions to capacity should result in a spectacular increase in power generation. There has already been growth in power generation by 80 per cent to 18 mu daily in the past four years and there can surely be a doubling of consumption to 36 mu daily in the next five years. But, the daily generation with the new capacity pooling operation in 1983 can be easily 50 mu, making available over 14 million units daily for being exported to neighbouring states. While it is difficult to anticipate at this stage what the growth in consumption will be, Andhra Pradesh will have plenty to export in the next three years as the additions to capacity, thermal and hydel, in 1978-82 are such as to create problems of absorption between the region immediately. The requisite transmission facilities will have to be created side by side and it should also be the objective to maximise generation in the existing capacity so that the optimum benefit can be derived from the point of view of revenues. The state electricity board's financial position has improved significantly in the past three years and with the recognised viability of new projects, the return on new capital outlay should be worthwhile.

In Tamil Nadu also some major developments have been taking place. The modifications to the existing thermal units at the Ennore station have proved to be highly beneficial. For the first time in recent years all the five units were in operation and a record of 440 MW of power was generated recently at this centre against the installed capacity of 450 MW. The Neyveli thermal station is overcoming its difficulties relating to lignite supplies though in recent months there has been an unexpected drop in generation due to problems in the mines. These may not recur in the coming months. Along with the efforts to increase the raising of lignite in the first minecut, arrangements are also being made for constructing another super thermal station with three units of 210 MW based on the second minecut. The clearance has been given to this project and it is expected that the whole scheme will be completed in 1983-84. Tata Consultants will provide the technical assistance apart from the West German interest and it is expected that, as in the case of the first minecut, water pumped from artesian wells will provide necessary supplies for the thermal stations.

Immediately the Tuticorin thermal station will be coming to the rescue of the Tamil Nadu Electricity Board. The first unit of 210 MW is scheduled to be in operation in January next year, the second of the same capacity in July 1979 and the third of similar capability in 1981-82. Some hydel schemes will also be yielding about 200 MW of capacity though the load factor will be low because of the project being intended mainly for peaking purposes and using freeflows. In Karnataka, the Kalinadhi project will be adding to the capacity of the state grid steadily from the middle of next year, while the Idduki third stage, augmenting the capacity of the reservoir may be expeditiously completed. The sixth unit in Sabarigiri, damaged some time back due to sabotage, will also be replaced apart from implementing the augmentation programme.

The projects in Kerala will ensure the export of large blocks of power to Karnataka and Tamil Nadu while the Kalinadhi project will be useful in minimising power shortage in the latter region. With the likelihood of Tamil Nadu generating an additional 1500 mu from its own sources in 1978 and the spurt in generation in Andhra Pradesh, the prospects for improved power availability in the next few years are bright. While there is no question of curbs on power consumption in Andhra Pradesh and Kerala, Tamil Nadu can hope to avoid restriction with the commissioning of the Tuticorin project and the continued efficient functioning of Ennore power station. Karnataka can be said to have left its worst phase behind and it can be hoped that power cuts will be gradually reduced in the coming years and the existing industrial capacity will be better utilised. The important happenings in Andhra Pradesh, Tamil Nadu and Karnataka and continued surplus of Kerala thus augur well for power consumers in the southern region.

Eastern Economist 30 Years Ago

JULY 30, 1948

There has been persistent talk now for many months that the Government of India would do well to constitute very early a Ministry of Economic Affairs. Whether or not the proposal matures, it is necessary that we should give early consideration to the factors involved and in particular to the administrative set up most conducive to the efficient working of such a Ministry. The fact that economic affairs have now obtruded themselves sufficiently on the Government to require some special machinery at least for co-ordination is in itself welcome. For past experience has shown how woefully inadequate our machinery for co-ordination on economic affairs still is. But co-ordination, vital though it be from every point of view, would not in itself justify the creation of a new Ministry—an addition to the fourteen already there. There are in fact already four Ministries almost exclusively concerned with economic affairs—Finance, Industry and Supply, Commerce, and Labour. Unless the co-operation and co-ordination now proposed to be effected were superior to each Ministry individually and all together, any new organization would only operate as a fifth wheel in the coach.

It is vital, therefore, that we should be perfectly clear in our minds why a new Ministry is required. It is only then that we will be in a position to estimate if any organization that we propose to set up—whatever its name—can discharge its allotted task. To add to our ministers without specific ends is both to add to Government expenditure and to subtract from administrative efficiency.

Promoting edible oil industry in Bihar

Bihar Industrial and Technical Consultancy Organisation, a subsidiary of Industrial Development Bank of India, has carried out a study of the vegetable oil industry in Bihar which has identified salient factors obstructing the growth of this industry and which has also recommended certain measures to accelerate its expansion.

The primary reason for the unsatisfactory growth of this industry in the state has been the stagnation in the output of oilseeds. The rate of growth of oilseeds output during the last decade has been of the order of 1.2 per cent per annum which is far below the rate of rise in demand in the state. Although most of the oilseeds such as groundnut, rape and mustard, sesamum, linseed and castor are grown in Bihar, yet quantitatively their output is only a little more than one per cent of the total output in the country whereas the state has nearly one-tenth of the country's population. A substantial quantity of mustard required for processing by the units located in the state is imported from Uttar Pradesh, Rajasthan, Madhya Pradesh, Punjab and Haryana. It has rightly been suggested that the farmers in the state should be encouraged to extend the area under oilseeds through a package assistance programme involving the supply of improved varieties of seeds, fertilisers and pesticides in selected areas where potentialities for growth exist. The state government, it has been suggested, should also take initiative to introduce the cultivation of oilseed crops of relatively short duration such as sunflower, safflower, etc which can grow in irrigated as well as dry lands.

Due to an overall shortage of oilseeds, the fluctuations in prices have been wide; in 1976, they ranged between 68 per cent and 170 per cent. The fluctuations in the prices of mustard seed have been wider than those of other seeds and ruled very high rendering it uneconomical for the processing units to make use of it for manufacturing edible oils.

The wide fluctuations in the prices of edible oilseeds forced the existing units to operate only during the periods when the prices were reasonably low. The idle capacity in the existing units has discouraged the flow of additional investment in the industry from prospective entrepreneurs. An obvious way out of this situation is the fixation of support prices for oilseed crops to ensure reasonable return to the farmers. The building up of buffer stocks has also been suggested in order to bring about stability in both prices and supplies of oilseeds.

adverse effect

It has been stated in the report that the restrictions imposed by the Reserve Bank of India under its selective credit control policy which covered oilseeds and vegetable oils have adversely affected the growth of oil processing industry in the state. This is evident from the fact that the outstanding loans against oilseeds and vegetable oils have been low. The commercial banks are reported to be often reluctant to offer and provide working capital finance to oil processing units even if the margin requirements are complied with by the borrowing units. Since the requirement of margin money for working capital is fairly high, the state financial institutions should consider providing long-term financial assistance. The co-operative credit societies should be strengthened to provide financial assistance to oil processing units. The report has also suggested a review of the Reserve Bank's policy with regard to financial assistance to oil processing industry in the state.

Proper dispersal of the oil processing capacity, particularly for edible oils, has been suggested to the extent possible, irrespective of the local production of oilseeds. Since the investment required to be made in fixed capital of the oil processing industry is small as compared to its output, additional capacity has been recommended to be developed on a decentralised basis to bring about stability in prices and to ensure regular supply of edible oils to the consumers. Since the government is also contemplating to distribute edible oils through the public distribution system, additional oil processing capacity in various districts of the state would reduce the cost of distribution and transportation to a significant extent, besides promoting the objective of decentralising the means of production.

aid to research

The exploitation of the vast potential of minor oilseeds such as salseeds, mango kernel and neemseeds, calls for concerted efforts on the part of the state government to render requisite assistance to research bodies, trade and industry. The collection of salseeds in the state in 1977 was estimated to be only 16,000 tonnes as against the total potential of 1.66 million tonnes in the state. The Bihar State Forest Development Corporation has been asked to gear up its organisational set-up and make sustained efforts to increase the collection of salseeds. The present system of disposal of salseeds by auction without making a distinction between local and outside processing units needs to be revised. In order to protect the interests of the local units and with a view to encouraging additional capacity in the state for solvent extraction, preference should be given in respect of the supply of salseeds to the local units, suggests the report.

Although the government is already seized of the problem of inadequate power supply, the report has suggested that the distribution of power should be properly regulated to feed each centre equitably without causing power cuts of long duration. A system which gives advance intimation to industrial units about the timings of load-shedding should be evolved so that the industrial units may recast their operating schedules and be prepared to face power cuts. The rural electrification programme of the state should also be intensified to cover as many villages as possible to accelerate the growth of small industries including oil processing units operated by village artisans. The conversion of traditional ghanies into power ghanies and expellers could be speeded up after the power supply was made available in the rural areas.

CAPITAL'S CORRIDORS

R. C. Ummat

Oil production • Streamlining SFCs' operations • Excise rebate on tyre manufacture • Gold sales • District industries centres • Operation flood

EVEN THOUGH, thanks to the commercial exploitation of the Bombay off-shore oilfield in the past couple of years, the indigenous production of crude oil has steadily grown from 8.283 million tonnes in 1975 to about 10.185 million tonnes in 1977 and is expected to go up to as much as 12.68 million tonnes during the current year, it has failed to contain the oil import bill. This bill has gone up not only owing to the uptrend in price but also due to increase in physical imports. Last year the imports of crude oil aggregated to 14.8 million tonnes, as against 14 million tonnes in 1976 and 13.7 million tonnes in 1975. Valuewise, the increase has been from Rs 979.20 crores in 1975 to Rs 1,143.69 crores in 1976 and as much as Rs 1,284.46 crores in 1977. Imports this year are expected to go up to 15 million tonnes.

import arrangements

Firm arrangements have been made so far for importing 13.80 million tonnes this year—5.25 million tonnes from Iran, three million tonnes from Iraq, one million tonnes from the United Arab Republic, 2.5 million tonnes from Saudi Arabia, 1.5 million tonnes (in the form of finished products) from the USSR and 0.55 million tonnes from spot purchases. The arrangements regarding the balance imports are expected to be finalised shortly. There is a possibility of making some more spot purchases of finished products being resorted to owing to the recent setback to the refining operations of Hindustan Petroleum. Official circles, of course, are confident of matching the availability of petroleum products to the requirements.

domestic production

The indigenous production of crude oil is anticipated to go up to 18 million tonnes by 1982-83. According to the present expectations, the demand for petroleum products, however, is anticipated to grow at a faster rate – from about 28 million tonnes currently to 36.32 million tonnes. This implies that although percentage-wise the dependence on imported supplies will somewhat go down, we will still be importing larger quantities of crude oil and petroleum products during the current Plan period. The deficit to be met from imports in 1982-83 is currently estimated at around 18.32 million tonnes. It may increase if the domestic production programme is pruned as a sequel to the report of the working group which is going into the issue of conserving oil resources.

According to the latest assessment, nearly 42 per cent of the work on the setting up of the Mathura refinery project, which will be processing six million tonnes of crude oil per annum, had been completed by June 30. The project is anticipated to be mechanically completed by the end of 1979 and commissioned into commercial production by April, 1980. The Gujarat refinery is being expanded to process 7.3 million tonnes of crude oil per annum from its present capacity of 4.3 million tonnes. The mechanical completion of this expansion programme is expected soon. Another one million tonnes refinery and petrochemical complex, which is under construction at Bongaigaon, in Assam, will also add by next year one million tonnes refining capacity. The total refining capacity in the country by early 1980, therefore, will go up to about 38 million tonnes, which is considered to be sufficient for meeting the requirements of petroleum products by 1982-83.

So far as the development of the Bombay High offshore oilfield is concerned, work has started on the phase III-B programme which will raise the production potential from three to six million tonnes per annum by the middle of 1980. This phase comprises installation of a giant central processing and pumping platform in the area, establishment of telemetry and telecommunication system via satellite both in-field and betweeh Bombay High and Uran shore terminal, setting up of additional well platforms now being built at the Mazagaon Docks and establishment of a gas fractionation plant, a crude stabilisation unit and a storage tank at Uran.

This phase will also mark the development of the Bassein structure to yield one million tonnes of crude oil a year.

* *

The Industrial Development Bank of India has recently suggested several measures to the state financial corporations (SFCs) with a view to improving their overall operations in general and expediting disbursements of the assistance sanctioned by them in particular. The suggested measures include: (i) quicker communication of sanctions and the terms governing them; (ii) expediting of legal scrutiny and documentation by taking up this task simultaneously with the appraisal of the projects proposed for assistance, wherever feasible; (iii) standardisation of documentation procedures; (iv) expediting the work relating to valuation of assets; (v) providing assistance to borrowers in getting the requisite clearances with regard to industrial licensing, power connections, etc; (vi) accepting of equitable mortgage wherever appropriate, instead of the legal mortgage; and (vii) undertaking of close reviews of the undisbursed/partly disburs-

ed loans. The SFCs have also been asked to augment their legal staff.

It has further been decided to constitute a working group for standardising and streamlining the systems and procedures of the SFCs. Besides taking up follow-up action to implement the above recommendations, the SFCs have now started taking up with state governments on behalf of the units assisted by them the problems arising out of the Urban Land Ceiling Act.

* *

The recent revision of the scheme for the grant of excise duty rebate to the tyre manufacturing companies, it is learnt, has been effected with two major objectives in view, besides diluting the anomalies of the previous scheme. It is felt that the new scheme will help in improving the utilisation of capacity in the smaller units at least up to 75 per cent. It will also go some way in mitigating the adverse effect on the production costs of new units resulting from their high capital investment. The older and the larger units, having been slightly hit by the revised scheme, will not have now any marked advantage over the new units. It is pointed out by official circles that a tyre manufacturing unit having annual turnover beyond 75 per cent capacity utilisation should be in a position to fend for itself.

As the new scheme restricts the excise duty relief to only those units whose licensed or installed capacity, whichever is lower, does not exceed five lakh numbers each of tyres and tubes, the giants like Dunlop, Firestone, CEAT and Goodyear will no longer be entitled to any rebate. Their licensed and installed capacities exceed the capacity limit for the grant of rebate. Under the previous scheme, they were entitled to rebate in excise duty to the extent of 25 per cent on their production in excess of the output during 1976, along with all other units which were either getting this order of relief or were entitled to 25 per cent rebate on their entire output in case they commenced production after April 1, 1976.

The units which are covered by the new scheme include Inchek, Premier, Modi, JK Tyres and Apollo in the large-scale sector and Unicorn, Tanfort, Falcon and Jaysree in the medium-scale sector. The licensed capacity of none of these units exceeds four lakh tyres and tubes each per annum. Madras Rubber, which has two factories—one at Madras and the other in Goa—has a combined licensed capacity of 10.10 lakh numbers each of tyres and tubes. The new scheme, therefore, may not be applicable to this company unless it is applied factory-wise. In that case, the Goa unit should benefit. Of the three units—Modi, JK and Apollo—which have been either enjoying a rebate in excise duty to the extent of 25 per cent of their full production or the output exceeding the 1976 level, Modi will now be entitled to only 12.5 per cent rebate on production cleared for domestic consumption upto 75 per cent capacity utilisation. Apollo and JK Tyres may not be affected much as they went into commercial production after April 1, 1976. They will be entitled to 25 per cent rebate in excise on their clearances for the domestic market to the extent of 75 per cent utilisation of the licensed installed capacity.

The rebate in excise duty has been restricted to only the releases for domestic consumption upto 75 per cent of capacity utilisation because exports already do not attract the excise levy. The major beneficiary of the new scheme apparently will be Inchek. The case of Premier tyres is no different from that of Modi tyres.

Since the revised scheme will put the new units in a somewhat better competitive position vis-a-vis the older and the giant units, the implementation of the schemes already sanctioned but not yet implemented should get facilitated. There are said to be eight such schemes, each envisaging to produce annually four lakh sets of tyres and tubes. The licensees are: Vikrant Tyres, Tamil Nadu Rubber, Webster, Orissa Tyres, AP Tyres, Gujarat Tyres, Punjab Tyres and Ibcon.

* *

The ministry of Finance is expected to announce shortly a scheme for the sale of gold at a fixed price to goldsmiths at selected centres in the country in between the auctions being undertaken by the Reserve Bank of India. This scheme is said to be receiving serious consideration at present. In the interest of making available government gold to goldsmiths directly, instead of through the authorised dealers, the auction scheme, it may be recalled, has been modified recently to permit certified goldsmiths, not exceeding five in number, to submit joint bids in the RBI auctions and also making cooperative societies of goldsmiths holding

Queuing up

valid licences to deal in gold eligible for bidding in the auctions.

It has been clarified by the minister for Finance, Mr H.M. Patel, that reduction in the price of gold or the pegging of this price at a particular level has not been the objective of the gold sales policy. The main aim is to check smuggling by making available some supplies of gold through legal channels. It is, however, claimed that gold prices have tended to soften since the announcement of gold sales, despite the rising trend in the international market.

The total quantity of gold sold through the six auctions held so far is about 7.92 tonnes. The average sale price has been Rs 640.76 for 10 grams of standard gold. The sale proceeds have aggregated to approximately Rs 50.75 crores.

* *

The district industries centres, which are being established as the focal points for the provision of all assistance for the development of small-scale, cottage and rural industries, particularly those belonging to the tiny sector, are being overwhelmingly financed by the central government. The state governments are being provided a non-recurring grant of Rs 500,000 per DIC for the construction of office buildings and purchase of furniture, equipment, vehicles, etc. The annual recurring establishment charges are proposed to be shared by the central government in the form of grants to the extent of 75 per cent up to a maximum of Rs 375,000 per centre. The governments of states and union territories will be required to meet the recurring expenditure to the extent of only 25 per cent.

Each DIC is to be headed by a general manager. He will be assisted by seven functional managers and other supporting staff. The functional managers will deal with the following subjects: (i) economic investigation; (ii) machinery and equipment; (iii) research, extension and training; (iv) raw materials; (v) credit; (vi) marketing; and (vii) cottage industries.

So far, 212 district industries centres have been approved for being put up in as many districts—Andhra Pradesh 11. Assam 5, Bihar 18, Gujarat 10, Himachal Pradesh 12, Haryana 11, Jammu and Kashmir 10, Karnataka 7, Kerala 11, Madhya Pradesh 22, Maharashtra 15, Manipur 6, Meghalaya 1, Nagaland 4, Orissa 13, Rajasthan 9, Sikkim 1, Tamil Nadu 8, Uttar Pradesh 13, West Bengal 15, Arunachal Pradesh 5, Mizoram 2, Pondicherry 1, Dadra and Nagar Haveli 1, Andaman and Nicobar Islands 1. Approximately half of them have already started functioning. Most of the centres which have gone into operation so far are those converted from the erstwhile rural industries projects.

* *

In pursuance of the policy of eliminating unemployment and reducing under-employment within a time frame of 10 years, the ministry of Agriculture has prepared the phase-II programme of Operation Flood which will benefit by the end of 1984-85 as many as 10 million milk producer families in the countryside. It is an integrated dairy development plan estimated to cost Rs 483.67 crores during the eight-year period. Twentyfive milk shed areas in 155 districts of the country are envisaged to be covered by the project. Simultaneously, a national milk grid is proposed to be established which will link the milk shed areas with 148 cities each having a population of over 100,000.

Several schemes have been drawn up to further improve the breeding of cattle. These include key village schemes, intensive cattle development programmes, establishment of new central and state cattle breeding farms, centrally sponsored schemes for the setting up of exotic cattle breeding farms, foreign-aided cattle breeding projects, augmentation of frozen semen banks and expansion of cross-breeding programmes.

Under the phase-I of Operation Flood, which has been nearly completed, direct links have been established to a fairly extensive extent between rural producers and the urban milk processing units. A number of big dairy plants has been set up. They, in turn, have established a chain of milk collection, cooling and chilling centres to provide facilities for timely milk handling in large volumes and for long distance distribution without deterioration in the quality of milk. Currently, 186 dairy units, comprising 92 liquid milk plants, 24 milk products factories and 68 pilot milk schemes/rural dairy centres are stated to be functioning in the public and the cooperative sectors. Another 52 dairy plants are said to be under implementation.

EASTERN ECONOMIST

ANNUAL SUBSCRIPTION

INLAND : Rs. 125.00 FOREIGN : £ 15.00 or $ 30.00

Airmail & Advertisement Rates on Enquiry.

Price per copy Rs 2.50

Registered Office :

UCO Bank Building, Post Box 34,
Parliament Street, NEW DELHI-1.

Some reflections on Bhoothalingam report

Dr G. Raghava Reddy

The author who is Reader in Economics, Nagarjuna University, believes that the Bhoothalingam panel report had the difficult task of balancing social good with sectional interests. He believes the dumb millions in the rural sector will be ever grateful to it for recommending a minimum income for a rural household.

THE GOVERNMENT of India had set up in October 1977 a study group on wages, incomes and prices under the chairmanship of Mr S. Bhoothalingam to undertake a comprehensive study and prepare a draft policy on these subjects. The study group was asked to perform this massive and complex job within a period of six months and the report was duly submitted in May 1978. The setting up of the study group as well as the recommendations have evoked considerable interest in different segments of society and in some cases protest by organised groups. An attempt is made here to have a critical glance at some of the recommendations of the Bhoothalingam panel in the light of the fears and protests expressed by some of the trade union organisations.

minimum wage

The study group has proposed a target of national minimum wage of Rs 150 per month at 1978 prices, to be achieved in about seven years. To begin with a national minimum wage, below which no regular employment will be permitted, is to be fixed at four rupees per day of eight hours unskilled work for an adult or Rs 100 per month. Revision is to be made every two years until the target of Rs 150 per month is reached and thereafter every three years. Wages fixed under the Minimum Wages Act are also to be revised every three years and statutory minimum wages wherever lower at present, to be brought up to the national minimum level.

Taking into consideration the stage of economic development as revealed by the level of per capita income of Rs 1049 at current prices, the occupational pattern of the work-force and the nature of employment, the experience of minimum wage legislation and its execution and the magnitude of non-employment and poverty in the country, the proposed national minimum wage appears to be quite pragmatic especially when it is an absolute one irrespective of sectors, regions or states, below which no employment is to be permitted. In arriving at this national minimum wage of Rs 150 the study group has rightly balanced the considerations of economic growth on the one hand and social and distributive justice on the other.

Because of the irregular and seasonal

POINT OF VIEW

nature of employment and unstable and varied sources of income, it has proposed the concept of minimum rural household income of Rs 1800 per annum to enable the bottom 30 per cent to come up roughly to the level of the next higher decile group. It has also alluded to recommendations of the draft sixth Plan for the eradication of poverty in the rural sector. Besides, it has proposed some assured arrangements for marketing at guaranteed prices commercial produce of marginal and small farmers to induce a shift in their product mix and thereby lift their levels of income and living. The village level institutions and other related cooperative or public enterprises are to be involved in this effort.

The study group has stated on the basis of available data that 62 per cent of the labour force is self-employed and the rest is in wage employment. Agricultural labour predominates the latter sector and, according to the panel, farm labour is closer to the set of self-employed rather than wage-employed. In such an economic framework, the concept of a minimum rural household income at Rs 1800 per annum for planning purposes, goes a long way in rural development. It deserves to be implemented with all the seriousness of purpose on a planned basis. It has suggested some guidelines for implementation which deserve acceptance and follow up by the government immediately.

restraint on income

It is to be noted that the panel has not proposed any freeze on wages but has called for restraint on all forms of high incomes including dividends and top salaries of public servants and company executives. The ratio between the post-tax salary income of the lowest and the highest in the public services including public undertakings works out to around 1:9 whilst in the private sector it goes up to 1:16. It has recommended the setting up of a national pay commission to examine the case for the upward revision of salaries of the higher ranges of government services in order to continue to attract persons of the requisite calibre. This proposal exemplifies its sympathetic attitude to the higher ranges of public service personnel.

It has also called for the limitation of perquisities for private sector personnel to 25 per cent of basic pay and their uniform valuation for tax purposes, the abolition of commission as a mode of executive compensation and a limit of Rs 6,000 per month for all new contracts for the next five years. In order not to adversely affect the incentives for effort and saving, it has proposed the creation of a special account for depositing excess income of the personnel. Several pro-

posals have also been made in respect of regulating the incomes of self-employed.

The frontiers of public administration widen in a regime of planning and the strengthening of the top administrative machinery by a system of financial and non-financial incentives is hardly called into question. But in a poor country with a planned economy aiming at an egalitarian society under a democratic regime the case for a near parity of the public services with the private sector personnel looks rather strange and is a step in the direction of maintaining the chaotic salary structure rather than building a new salary system to suit the requirements of planning.

On the other hand, what is required to be done is to lower the ratio in the private sector by appropriate measures. The enlargement of opportunities for managerial training and education and regulation of recruitment and rewards coupled with policies for the prevention of brain drain deserve serious consideration in a development-oriented economy. The case for a special account to be instituted for depositing excess income deserves closer examination and adoption.

disparities and anomalies

Disparities, anomalies and irrationalities exist in the sphere of wages in the organised sector and have come to be regarded as "rights". The panel rightly realised the impracticability of standardisation in the present circumstances and, therefore, has proposed some harmonisation. It has favoured the adoption of the minimum wage proposed by the third Pay Commission by all the state governments and on that basis model scales for common categories to be worked out by the proposed national pay commission. The constitution of a pay committee was recommended to go into the emoluments and service conditions of government industrial employees vis-a-vis public and private sectors. Inter alia, a spread between the highest and lowest wages, in a unit of private sector to be 4-5 times the lowest was also suggested. A permanent non-statutory "Bureau of Incomes and Prices" was also proposed to evolve suitable guidelines for fixation of wage differentials and regulation of wage settlements. The scope of the proposed bureau may be extended to cover the public sector enterprises as well as to evolve some measure of coordination and direction in wage fixation and maintaining wage relativities. Its proposal for a value per point index system to be universally adopted has much merit as also the related recommendations on DA and hence both deserve implementation.

changed concept

The concept of bonus has undergone a metamorphosis in the course of the last six decades. From that of an ex-gratia payment and a deferred wage it has emerged as a "property" on the part of the workers and hence the study group has opined that it cannot be given up suddenly without unduly disturbing the industrial way of life. It, however, felt that it has not to be extended to non-profit oriented sectors such as the railways, post and telegraphs and ordnance factories. Even in the undertakings covered under the Bonus Act, it has to be gradually replaced by schemes of long-term benefits like retirement pensions, etc. Railwaymen and their cousins in P & T have raised a hue and cry on account of the bonus recommendation and the trade union world is for the retention of the present bonus system rather than its gradual abolition.

A wide variety of measures have also been suggested for the maintenance of price stability so vital for economic growth and social justice. The proposed bureau of incomes and prices has to work out the details and set the necessary guidelines in the sphere of price fixation. It has also called for extension of public provident fund and pension schemes for the unorganised and self-employed segments of the labour force. The appointment of a pension commission has been called for to go into the details of this issue besides protecting the interests of pensioners against the erosion of their incomes on account of inflation.

The study group within the limitations of time at its disposal, has accomplished its task adhering to its terms of reference. Issues of wages and wage relativities are sensitive matters and evoke the interest and even the protest of organised groups and no wonder the recommendations of the Bhoothalingam panel follow the same course. The panel was confronted with balancing the inevitable conflict of considerations of broader social good and economic development on the one hand and narrow sectional interests on the other. Broadly its work has been swayed by considerations of social justice rather than pleasing narrow sectional interests.

The proposal for the appointment of a national pay commission appears to be not in tune with its major task and accomplishment. The case for harmonisation and rationalisation of wage structure by pushing up the minimum and bringing down the maximum is essential in a planned economy striving for an egalitarian society. The dumb millions in the rural sector are grateful to the panel for its recommendation on a minimum rural household income though the militant industrial labour might exhibit its anger for its recommendations on bonus.

Achievement motivation cannot be brought about without altering systems of remuneration by linking them to performance and productivity setting aside the historically generated distortions. As Prof. Dunlop has elucidated, wage structures are a reflex of the pattern and speed of industrialisation in a market-oriented economy. But in a planned economy, a sense of social purpose and justice pervades their determination and regulation. It, of course, calls for a Firm State (of Prof. Gautam Mathur) if not a Hard State in the place of the Soft State (of Prof Gunnar Myrdal). Let us hope for navigation in a Firm State under the regime of the rolling plans.

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as one of our Subscription Agents.

Necessary enquiries may please be made to:-

Saurabh Pustak Bhandar
615, Relief Road, First Floor,
Near Calicodome,
AHMEDABAD-380 001
Phone No. 31230

Black gold regains its hold

Anubhuti Ranjan Prasad

Coal has a vital role in the energy requirement of this country as other sources of power are either small or untapped. The overall requirement of coal by 1985-86 is estimated to go up to 183.34 million tonnes. The author, who is a research fellow in the department of Economics, Banaras Hindu University, stresses the need for better and proper utilisation of the country's coal reserves with a view to reducing our large scale dependence on imported oil.

COAL IS poised for a major resurgence as our prime source of energy. Oil has seen its hey day. With the four-fold hike in international oil prices in 1973, India with other countries is scrounging around for coal to keep oil imports at a minimum level. The contribution of coal to total energy requirement of India is likely to go up to 56 per cent by 1990-91.[1] For the next two decades coal is thus likely to become the unrivalled fuel resource and this underlines its strategic importance in the national economy.

Apart from coal other sources of power are either small or untapped or both. The era of cheap oil or infinite resources is gone. Though the indigenous oil exploration will reduce the dependence on imports, it will involve enormous capital, which in turn will increase the cost per unit of energy derived from oil. Erection of hydel plants cannot be easily taken up by poor countries such as India as it involves huge finance. Besides, unpredictable drought conditions are an impediment.

geothermal energy

Tapping of geothermal energy is not without its problems. Much of it is diffuse, water temperature cannot be maintained during transport from well-head to the users and land subsidence is the most common hazard. Solar energy cannot be stored for long periods or hauled to sun-deficient regions. Conversion of solar power into electricity is at least ten years off. The main impediment in harnessing solar energy is the costly technology or devices such as flat-plate collectors,[2] photo electric cells, photovoltaic cells,[3] etc.

Wind power cannot be a viable source of energy. It requires large apparatus; the wind generator is costly and wind conditions cannot be predicted. Tapping of tidal energy through mechanical system will operate for narrow band of wave frequencies. Wave direction will pose another problem. Regarding nuclear power, delays in commissioning and repeated operation problems have produced limited results. Besides, risks of atomic warfare and political blackmail simply make it a dangerous form of energy. Regarding magneto-hydrodynamics (MHD) and fuel cells, they still require much technological advancement. As for wood it will be the first of the world's major energy resources to 'run out'. Fortunately, the world's coal reserves are enough at the present rate of consumption for thousands of years and of oil and gas for perhaps a fortieth of it.

inculcating self-reliance

The world energy crisis of 1973 has stirred many countries to embark on short-term and long-term plans to reduce their dependence on outside sources and to attain a safe-level of self-reliance. Our coal reserves are reckoned at one per cent[4] of the world reserves and stands eighth among the leading coal producing countries. In recent years, our dependence on import of oil was on the increase. The phenomenal rise in crude price by about 15 to 20 per cent from January 1, 1977, wiped out our prospective trade surplus of around Rs 60 crores. The economy's reliance on oil has to be reduced by switching over to coal and exploring indigenous oil.

It is interesting to note that more than 50 per cent of the energy requirements in a vast rural economy such as ours is still met from non-commercial sources like wood and cowdung. The using up of such organic material has deleterious effects on agriculture, since 45 per cent of GNP comes from agricultural operations. There is urgent need to find new sources for meeting rural energy requirements. Coal has a definite place in this programme.

Coal constitutes an important input for the iron and steel industry.[5] It acts as a feed-stock for several bulk and small consumers such as railways, power plants, cement, fertilizer, paper and paper boards, cotton textiles, glass, jute, refractories, sugar, heavy chemicals, brick burning, soft coke etc. About 70 per cent of the production goes to meet the requirements of the bulk consumers and the rest 30 per cent is taken up by small consumers.

a landmark

The nationalisation[6] of coal industry towards the end of the fourth Plan was a landmark in its history. The immediate task for the coal industry now is to set objectives for the achievement of policies relating to long-term planning, conservation, finance and marketing and develop necessary infrastructure for augmenting production, establishing new reserves for sustaining the increased production, provide better communication in and around mines, providing workshop support, manpower development etc. Increased production can be attained through rationalization of existing mines, reconstruction of selected mines and making investment in new mines, utilization of plant and equipment and by introducing newer and safer techniques. Switchover to more economical and efficient methods like mechanised long wall and mechanised bord and pillar mining is required for a faster rate of production. New equipment like scrapers, side-loaders and load-haul dumpers would have to be pressed into service. The broad strategy for scientific development should be based on identifying mines/areas for reorganisation/ reconstruction and to remove the constraints in the areas of plant and equip-

ment and materials which militate against efficient working of the industry.

By 1978-79, demand for coal is to go up to 121 million tonnes, which can be met through beneficiation of coal of low grade. A production capacity of 123 million tonnes is to be built up by opening up a number of open-cast mines. Before nationalisation little attention was paid to the development of industrial relation, inputs such as plant and equipment and explosives manufacturing facilities. A closer collaboration between Coal India (CIL), Mining and Allied Machinery Corporation (MAMC), and Heavy Engineering Corporation (HEC) especially their R&D wings would help faster indigenisation. Research activities within the organisational set-up will look after major aspects like fluidised bad combustion for utilisation of inferior coal, gassification of coal, manufacture of coke, manufacture of smokeless fuel for domestic sector, introduction of new technologies for better production, conservation of waste assets and development of indigenous equipment.

hazardous job

Coal mining is the most hazarduous peacetime operation. A detailed programme is to be worked out for occupational safety, health and welfare of mine workers. It has innumerable other problems like the problems of market structure, price policy and idle-capacity, the problem of wage-price spiral, financial problem, the problem of mechanisation and the problem of large-scale scientific use of coal. Then there are the problems of low production owing to the primitive methods of mining, lack of incentive to production, transport bottlenecks and inadequate shipment facilities keeping down export sales etc. And above all there is the problem of low-quality coal. Eightyfour per cent of India's coal is of the lower non-coking variety with a high ash content. Though the reserves of superior variety coking coal are limited, yet it is consumed irrationally in the power houses and railways. This should be corrected in the next few years. This can be helped if the coal burning equipment such as boilers are designed to use inferior grades of coal. Bharat Heavy Electricals Ltd, (BHEL) and other manufacturers can play a useful role in this effort.

A reasonably accurate long-term assessment of coal demand has been a major problem for the coal industry. The demand for coal is a derived demand—derived from the consumers' demand for the products which coal contributes to produce. The total demand for coal will constitute the sum of the derived demand of each of its users.

The demand for coal, like other commodities may also react negatively to its price. In the short run, the consumption may not be affected but in the long run the higher price of coal may lead to two distinct adjustments—substitution in production and substitution in consumption. Cost sensitive manufacturing firms may substitute coal if its price goes up. The extent of substitution will, of course, vary because the elasticity of substitution between various sources of energy may not be infinite as they are imperfect substitutes of each other.

As such, while raising the price of coal, the opportunity cost of its good substitutes must be borne in mind. In that case the demand for coal will be highly elastic. Second, an increase in the price of coal will lead to an increase in the prices of products which it helps to produce. The higher prices will grant consumers an incentive to turn to substitutes—thus reducing the consumption of the expensive product. Less demand for their products will stimulate producers to curtail the demand for expensive power (coal in this case). Thus, the more elastic the demand for the product, the more would be the demand for coal.

At present most of the forecasting of demands is done by the Planning Commission. But these targets are highly inflated having no genuine grounds. Hence instead of mechanically relying on the data-furnished by the Planning Commission, Coal India also should have kept itself constantly in touch with the consumers to whom it supplies coal so as to make a realistic assessment of the demand to adjust development programmes with it.

Till date, demand for coal is projected mainly on the basis of trend method, regression method and end-use method. But for a realistic future projection of demand, factors like degree of industrialisation, national income of the country, the elasticity of substitution between sources of energy and their coefficient

Sectorwise Coal Consumption and Demand: 1975-76/1978-79

Sector	Consumption		Demand	
	1976-77 (million tonnes)	% of total	1978-79 (million tonnes)	% of total
Coking Coal including blendable coal for metallurgical industry, steel washery and coke-oven	20.96	22.60	28.70	23.16
Power	23.04	24.84	35.50	28.63
Railways	14.30	15.42	13.50	10.90
Cement	4.44	4.78	5.10	4.11
Brick kilns	3.34	3.60	4.50	3.64
Fertilizers	0.93	1.00	3.10	2.50
Soft coke	3.64	3.92	5.00	4.04
Exports	0.44	0.47	2.50	2.02
Other industries	18.77	20.14	23.00	18.56
Colliery consumption	3.00	3.23	3.00	2.42
Total	92.72	100.00	123.90	100.00

and the population trend must also be taken into account. This will give a concrete basis for the future demand of coal.

The policy of substituting consumption of oil by coal by several industrial units will result in saving of over two million tonnes of crude oil every year. A spurt in demand is envisaged owing to a number of factors. Sectorwise analysis of consumption and demand is given in the table on page 162.

The table shows that three consuming sectors account for the major portion of the increase expected in the use of coal by 1978-79. The increase in the requirements of the power sector is anticipated to be as much as 12.46 million tonnes over the 1975-76 level and in the steel plants as much as 7.74 million tonnes. The fertilizer sector in 1978-79 is expected to consume 3.10 million tonnes of coal.[7] The increase in consumption in other sectors is anticipated to be of a much lower order. The overall demand for coal excluding the requirements of exports in 1978-79 was expected to be around 121.40 million tonnes as against 92.32 million tonnes in 1975-76. Exports were envisaged to be pushed upto 2.50 million tonnes, taking the aggregate requirements to 123.90 million tonnes. Hence the target of production had been set at 124 million tonnes.

downward revision

The production target for the coal industry for 1978-79 was scaled down to 124 million tonnes from 135 million tonnes recommended in the draft fifth Plan—not to speak of 145 million tonnes which was the original target contemplated for the year when the plan exercises were undertaken. Downward revision of coal output targets is not an unusual phenomenon in the planned development period but there is a vital difference between the earlier exercises and the last one. Earlier, invariably the targets had to be brought down in view of the limited resources available and the competence of the industry. Simultaneously efforts had to be made to contain the demand for coal for low-priority consumers such as the brick-burning industry. The last reduction in the target from 135 million tonnes to 124 million tonnes, however, had been necessitated by supply exceeding demand, notwithstanding the fact that concerted efforts have been made in the past few months or so to remove many of the causes which hampered consumption.

There has thus always been a great amount of uncertainty in making a reasonably accurate long-term assessment of coal demand mainly because coal demand is a derived one. The coal industry's basic problem has been the sluggish progress of industrial projects. The pressure of demand has been concentrated on superior grades while there has been a glut in the inferior coal in the medium and low grade variety. Besides, there is a definite bias against utilisation of low grade coal even by the consumers that have otherwise no technological compulsions. More than 80 per cent of coal reserves fall in the low grade category and plants are in hand to upgrade the inferior quality coal by beneficiation to make it acceptable to the consumers.

judicious use

Coal can be utilised as the primary source of energy in such a judicious manner that not only is oil import bill contained but also the indiscriminate use of firewood and cowdung, which constitute 84 per cent of the domestic sector energy consumption, can be curtailed in the interest of conserving the forest wealth for climatic reasons and releasing of valuable organic manures for agricultural proposes.

It would be appreciably easy for coal to displace firewood for burning purposes where it (firewood) is bought, but where it is collected free of cost, it may be difficult to encourage switchover to coal which has to be paid for. However, the case of cowdung can be handled easily through enlighting the farming community of the value of cowdung for manurial purposes and encouraging them to sell it to the needy which would provide funds for the purchase of coal for burning purposes.

The overall requirements of coal by 1985-86 would go upto 183.34 million tonnes. This estimate is stated to have been arrived at after long deliberations and extensive exercises, taking into consideration the likely changes in the utilisation of coal in the country as well as the likely pace of development of the economy during the next ten years. The likely impact of the efforts at increasing the off-take of coal by the domestic sector, and increasing of exports to five million tonnes too is stated to have been taken into account while drawing up the plan.

If the demand estimates can be drawn up more precisely, undue locking up of money in coal mining can be obviated. Planning in the coal sector should be chalked out in such a way that it will err in favour of marginal surpluses rather than marginal deficits.

low productivity

The major cause for slow rise in productivity in India is the low level of mechanisation and technology. Emphasis should be laid in our plans on the calculated introduction of technology. However, mechanisation can only be introduced selectively and where overwhelming advantage is to be derived. With all these constraints, productivity is expected to rise from its present level of 0.66 tonnes OMS[8] to just over 1.00 tonne, OMS in the next decade. Further development of technologies may open up new possibilities for use of coal as a chief domestic fuel from non-coking coals, washery middlings, coke breeze etc and help to utilise the non-saleable coal. The cost-benefit analysis of coal industry will bring to light the overall cheapness of coal over other sources of energy.

Advance planning and commissioning of new mines to meet higher future demand should be considered with a view to highlighting the magnitude of the tasks that lie ahead for the coal industry. Manpower development programme and training assumes utmost importance. The manpower development programme will aim at ensuring every employee to be exposed to basic training and requirements of additional skilled manpower should be met by upgrading the skills of existing personnel. Development of costly and sophisticated earthmoving equipment in the open-cast mines will require highly

skilled operators. All these problems have to be surmounted.

Coal, thus, owing to its perennial energy value is of outstanding importance. There is also a possibility of exporting five to six million tonnes of coal annually to countries such as Japan, Bangladesh and ECM countries, particularly Ireland, Belgium, France and West Germany.

In brief, there is a strong case for popularising the use of coal, industrially as well as domestically and hence the development of coal industry as a whole. Better and proper utilisation of the country's coal reserves with a view to reducing its large-scale dependence on imported crude oil and correcting the adverse balance of payments position of the country is called for.

References

1. Source—Coal Plan.
2. A flat plate collector is merely a shallow sheet of steel, copper or aluminium whose black painted surface converts sunlights to heat. It is a device of active heating system.
3. It is made of two thin layers of materials—one, semi-conducting materials such as silicon, and the other a metal like aluminium or silver. In these cells, sunlight stimulates the flow of electrons across the layers to generate electricity.

(4) Almost 80 per cent of the theoretically available coal is concentrated in the USSR (53 per cent) and United States (27 per cent) China accounts for nine per cent and the remaining 11 per cent is distributed among the rest of the world.

(5) Coke manufactured out of coal when used in blast furnaces helps to remove the oxides in the iron-ore and increases the percentage of iron.

(6) With the nationalisation, all coking and non-coking mines have effectively come into the public sector. The organisational structure for undertaking this huge task was designed in the form of the Coal India Ltd (CIL), the apex body and its five subsidiary companies—Central Coal Fields Ltd, Eastern Coal Fields Ltd, Western Coal Fields Ltd, Bharat Coking Coal Ltd, and Central Mine Planning and Design Institute with their headquarters at Ranchi, Sanctoria, Nagpur, Dhanbad and Ranchi respectively.

(7) It is because of the commissioning of Talcher and Ramagundam coal-based giant fertiliser projects.

(8) OMS—Output per man shift.

Economic fallout of Nepal's bonus system

R.S. Nigam & N. Banskota

The authors discuss Nepal's bonus system in its export trade which has now been scrapped in favour of the two-tier exchange policy. They aver that even the new system may not achieve the goal of boosting trade to the extent that it could replace aid.

TILL 1961 less than two per cent of Nepal's trade was with countries other than India. A deliberate attempt at diversification was made in 1961, when under the 1960 trade treaty she introduced the Exchange Entitlement Scheme (henceforward called the EES). Under the provisions of the EES exporters could obtain a certain amount of foreign exchange for imports of goods. This amount varied with the quantum of exports effected. This had a definite and obvious impact on Nepal's export sector, for an exporter could import a variety of luxury goods to re-export them illegally to India. Though exports to overseas countries entailed a loss, traders could make fortunes on their little investment with the possibility opened up for their smuggling to India.

What a maintenance cost Nepal had to pay for the operation of a policy based on myopic and ill-conceived idea? Though the proportion of trade with the third countries has shifted significantly over the years, it is the irony of Nepal's fate that, except for a few self-supporting but negligible industries, the Nepalese economy is revealing the same poverty as there was 27 years ago when she consciously stepped out of her cradle of self-imposed isolationism. The purpose of this article is to highlight some of the weak points on Nepal's export bonus policy in the past, to expose at the same time the weaknesses of trade policy so penchantly upheld by Nepalese planners in the past as a key to economic growth, and also to identify the policy options before the Nepalese government. An examination and evaluation of the *modus operandi* of the EES and the present two-tier exchange policy has also been attempted here.

Professor Nigam is associated with Delhi School of Economics and Mr Banskota is Assistant Professor, Institute of Business Administration, Tribhuwan University Kathmandu.

The EES was introduced in the year 1961 in Nepal with a view to helping the genuine exporters to obtain licences for scarce foreign goods on a pro-rata basis. It has been modified from time to time. Despite this it gave a spurt to the Indo-Nepal smuggling traffic. Not only did it allow the exporters to the overseas countries to import goods of their choice but also encouraged them to export these goods to India on cost-profit considerations through dubious channels. Exports generally entailed a loss; it was only through imports that the exporters could make multiples on their investment. It has been widely accepted now that the EES failed to boost the genuine Nepalese exports. With hindsight it can be said that the decision appears to be unfortunate in so far as Nepal's export policy covered only a small part of the export sector and that too at the expense of a long-term export growth. At the same time a clandestine market developed in which bonus vouchers were traded at varying prices. Looking at the way the EES operated over the years one notices the growth of smuggling traffic on Indo-Nepal border instead of growth of industries at the home front. This has not only caused diversion of export earnings to unproductive and illegal activities but also reversal of the gains to trade and economic growth.

differential basis

The EES was applicable to the overseas trade which had been subjected to licensing as against trade with India which was licence free. The rates of entitlement were on a differential basis. At the beginning, the exporters were at liberty to import goods of their liking from overseas countries out of the foreign exchange earnings available to them but the exporters were entitled to use only 25 per cent of export earnings for this purpose. However, in 1961 the scheme underwent modifications and the quota retention was fixed on a differential basis. In case of jute goods and oilseeds, the rates of export retention were 50 per cent and 60 per cent respectively. In February, 1962, the scheme underwent further modification and the quota was fixed at 25 per cent of export earnings where exports amounted to one lakh rupees and 75 per cent of export earnings where they exceeded one crore rupees.

Another change was introduced in 1963 when quota retention was fixed at 40 per

cent for raw jute and musk, 50 per cent for jute manufactures and 60 per cent for miscellaneous goods. This gave a spurt to the increase in the overseas trade.

Although the exports to the overseas countries entailed a loss, the exporters could make good the loss so sustained by the imports of luxury and semi-luxury goods from overseas countries. As a matter of fact, the scheme aimed to give preference to manufacturers to import the development goods. But manufacturers would export anything whether they manufactured it or not. The Nepalese manufacturers thus neither exported manufactured goods, nor were development goods imported to meet the needs of the priority areas under the Nepalese plan.

Based on experience, the EES further underwent changes. In January 1974 Nepal brought out a new differential scheme. The 25 per cent rate was fixed for commodities needed for development industries, agriculture, transport and communication, 50 per cent of entitlement was on consumer goods and 25 per cent on motor vehicles and their related parts, glasses and other sensitive goods like optical goods, photographic goods, razor blades, transistors etc.

His Majesty's government in December 1975 revised the rate of bonus allowed on foreign exchange earned through the exports of Nepalese goods to overseas countries. Under the scheme goods were classified into two groups, one fetching 50 per cent and another 45 per cent of foreign exchange earnings realised.

In spite of repeated changes in diversification policy in the past nothing has been achieved so far on the export side. Table I reveals that export of raw jute and jute goods accounted for 87.57 per cent of the total export earnings in 1971-72, which decreased to 53.57 per cent in 1973-74. Pulses got doubled however in 1973-74 while cardamom increased threefold to 3.63 per cent in 1973-74 from 1.23 per cent in 1971-72. Medical herbs, dry ginger, bristle, woollen carpets, readymade garments and handicrafts also increased considerably. Export bottlenecks appeared on Nepal's export scene, for major export earnings came from jute and jute goods.

On the import side, textiles, readymade garments, motor cycles, machineries are the main items. Other sensitive commodities that were imported were lighters, cosmetic goods, imitations, razor blades, watches, spectacles, batteries, transistors, tape recorders, whiskeys, photographic goods, etc. These goods were imported over and above Nepal's requirements. In the circumstances smuggling to India was the natural outcome.

The high bonus available to exporters resulted in the distortion of the Nepalese investment. The failure of such a policy lies in the fact that Nepal could not create market for these goods. Originally the scheme was introduced after watching the Pakistani experiment. In Pakistan too it created balance of payments difficulties during its operation, brought about low and unsatisfactory prices to farmers and caused low growth in jute output and

TABLE I

Composition of Nepal's Export to Overseas Countries

(In thousand Nepalese rupees)

Commodities	%	F Y 1971-72	%	1972-73	%	1973-74
Raw jute	56.72	1,05,492	25.85	34,923	25.15	43,321
Jute goods	30.85	57,372	35.38	47,782	28.15	48,958
Hides and skins	3.34	6,200	8.59	11,603	6.88	11,859
Raw wool	1.77	3,292	.39	529	—	—
Pulses	—	—	.78	1,048	1.63	2,816
Oilcake	—	—	2.13	2,847	1.76	3,035
Cardamom	1.23	2,294	3.11	4,200	3.63	6,260
Medicinal herbs	.86	1,595	2.83	3,818	2.64	4,543
Musk	1.62	3,022	8.69	11,798	1.92	3,304
Dry ginger	.32	604	2.57	2,472	1.37	2,359
Bristle	.81	1,511	1.50	2,028	1.04	1,785
Woollen carpets	.91	1,703	1.84	2,479	2.18	3,752
Readymade garments	.18	331	11	146	60	1,030
Handicrafts	1.02	1,888	3.95	5,341	4.04	6,968
Miscellaneous	.36	669	2.27	3,068	18.74	22,282
Total		1,85,973		1,35,051		1,72,280

Source : Nepal Overseas Trade Statistics, Trade Promotion Centre, Kathmandu.

exports. The outcome of the EES in Nepal resulted in diversification of markets at the expense of diversification of exports. Moreover, it institutionalised the trading practices which went counter to the national interests. Despite this recent trends of Nepal's foreign trade have brought a feeling of complacency among planners and policy makers.

Over the last 16 years of the introduction of the EES, Nepal's trading position has not changed as a matter of course. In spite of this the period 1971-77 brought about a general feeling in the country that Nepal's exports to the overseas countries had at last shown some signs of dynamism and growth. What was not revealed to the general public was the fact that the shifts in Nepal's foreign trade were induced by the changes in the supply situation of India. The substantial increase in imports alone was due to the fact that Nepal had to import petrol from third countries. Even cement had begun to be imported from Sri Lanka, Thailand and China. Another contributory factor to the increase in imports was the change in exchange rate vis-a-vis US dollar. On the export side, as we have earlier noted, much of the increase was the result of the EES and that too was dominated by jute and jute goods. When the market for these commodities abroad was not available in 1970-71, Nepal successfully persuaded India to accord preferential treatment for these commodities under the 1971 trade treaty. It seems that Indian market continues to be vital for providing cushion to Nepal against the probable loss of exports in overseas markets. Nepal has not been able to create its own markets in the overseas countries independently of other countries. It is supplying jute in the market created by India and Bangladesh.

Diversification policy pursued so assiduously by Nepal has two components: one political and the other economic. Since Nepal's admission to the UNO she has come to play a larger role in the comity of nations. Economically, however, she continues to be the victim of physical geography and political boundaries. To achieve diversification of trade Nepal has signed bilateral agreements with as may as 66 countries, and at times Nepal's actions tend to skip the geographical situation she is in. Yet every time Nepal is bounced back to where she is geographically. Nepal's relations with India happen fo be warm and intimate. It is the disposition of Nepal's peculiar geography which has determined the limits within which she can fairly act and beyond which her actions are bound to meet with economic disaster. Though Nepal is desirous of expanding trade with third countries, she has fallen victim to India's restrictive foreign exchange and trade policies because of the limitations imposed on her foreign economic policy by the long open border and the existing arrangement of full convertibility with the Indian rupees. This has dampened Nepal's ability to receive higher unit value realisations in the international market.

Apart from this, her hypersensitivities have affected very much the pattern of foreign trade with the third countries. This is nowhere more spectacular than in the import of commodities from the third countries when they were several times dearer than the same type of Indian goods. There was no harm for Nepal to import some scarce commodities like kerosene and cement on free foreign exchange basis from India. When it comes to economic matters judgement should be rational and well calculated. Nepal lost substantial amount of foreign exchange in transport and other costs when the commodities purchased from the third countries were available several times cheaper in India. A barrel of kerosene purchased in the USSR for $11.9, for instance, cost $17.9 by the time it reached Nepal borders. The cost of 60,000 tonnes of cement purchased from South Korea at $38 per tonne FOB Seoul shot up to $98 per tonne at the border. The freight and handling charges alone were more than production costs in India. The World Bank report

TABLE II

Land-locked Countries: Agricultural and Industrial Production

	Agriculture labour as percentage of total labour	Percentage share of agriculture in total GDP	Annual average growth rates of agricultural production (percentages)			Share of manufacture in GDP
	1970	1970	1961-70	1968-71	1970-73	1970
Afghanistan	82	51	1.2	—1.8	2.7	11.0
Bhutan	—	—	—	—	—	—
Laos	79	—	5.7	2.1	—2.0	neg
Nepal	94	69	1.2	0.9	2.6	10.0
Mangolia	—	—	—	—	—	—
Total all developing countries	65	27	3.0	3.1	1.6	18

Source: Economic and Social Survey of Asia and the Pacific 1974, ESCAP, March 1975, New Delhi.

says "if Nepal were to use its hard currency reserves for purchases from India she would be better off". It further added that "some normalisation of Nepal's trade relations with India should be actively pursued; if this cannot be achieved, the economic viability of the country would be at stake". This is not for the first time that Nepal has been moved more by emotional and political considerations than by rational economic calculations. In 1966 Nepal proved her hypersensitivity by refusing to follow India in devaluing the rupee. This is perhaps owing to a feeling of claustrophobia which has its psychological root in landlockedness.

Diversification policy can be meaningful and effective only if agricultural and industrial productions are increased significantly. Nepal's average per capita annual growth rate between 1963 and 1970 was 1.8 per cent. Although Nepal is an agricultural country, the growth of agricultural production, as Table II indicates, is stagnating. The insignificant increase in production was, however, due to the extension of the farmed areas under cultivation. On the industrial production side too, her performance is phenomenally poor. Today Nepal stands caught up in the contradiction of its policy. The kind of sustained decision underlying the Marshall Plan has yet to be made.

The new exchange policy abolished the EES which was introduced and maintained in Nepal over a long period of time. Though on the day of announcing the policy, the Nepalese minister for Finance stated: "During 16 years of its operation the bonus scheme had not truly succeeded in fostering a strong and dynamic export sector", the present two-tier exchange policy even does not deserve a high rank in an objective appraisal. Table III shows growing concentration in Nepal's foreign trade of just three commodities. These three commodities continue to dominate the Nepalese exports. As long as Nepal is virtually dependent on two SITC categories (2 and 0) for all its export earnings the prospects of dynamic growth of the export sector are dim. The prices of export commodities are determined basically by the developments in the international market and in India which are beyond the capacity of Nepal to influence. Even smaller countries like Sri Lanka, Israel, Ecuador, etc have created good markets for their products. Nepal's exports represent 86.1 per cent and 87.05 per cent of total specialisation in 1964-65 and 1969-70.* This is internationally rather high. Nepal's exports of manufactures are insignificant. In the situation whether she follows the two-tier exchange policy or any other export policy for that matter, Nepal can never hope to achieve the cherished objective of replacing aid by trade.

TABLE III

Concentration of Nepalese Exports 1956-57 to 1969-70 Selected Commodities—Averages for Selected Years

(Percentage)

Years	Paddy+Rice +Ghee	Rice+Mustard Seeds+Raw jute	Ghee+Mustard Seeds+Rice	Rice+Ghee +Raw jute
1956-57	62.39	—	—	—
1957-58	39.06	—	45.78	—
1958-59	59.54	—	—	—
1959-60	58.85	—	—	—
1960-61	57.55	—	—	—
1961-62	50.02	—	—	—
1962-63	43.35	—	—	—
1963-64	52.02	—	—	—
1964-65	44.83	—	—	56.43
1965-66	29.50	—	—	42.58
1966-67	47.96	55.41	—	—
1967-68	40.88	—	—	47.99
1968-69	33.29	—	—	42.78
1969-70	44.43	—	—	50.32

Source: Nepal's Foreign Trade Statistics.

obsolete theory

The traditional comparative advantage theory of trade is obsolete now. A pattern of industrialisation based on greater specialisation within the region will be more economical than the one based on production dictated by the colonial system of the past, which was believed to be the harbinger of hope for the kingdom. Nepal's destiny does not lie in the production of these primary commodities and selling them in the foreign market. Three hundred years ago the Nepalese Terai, the export belt of Nepal now, was more or less covered by forest. Some of these commodities have recently figured in her export list. Signing of a trade treaty with India howsoever promising it may be does not matter if a substantial amount of resources is going into the production of primary commodities which do not hold promise from a long term point of view.

In Nepal's developmental planning the regional strategy should be the hallmark of her foreign economic policy. We must recognise the fact that mutual cooperation and not confrontation is the key to economic prosperity. With all its laudable objectives, the export bonus system of Nepal, has damaged the essential economic interests more than promoting export earnings in developmental projects. The system has proved to be a myth and has also encouraged unscrupulous elements in exploiting its weaknesses for unearned windfall fortunes in utter disregard to the country's vital economic interests. It has also caused strains in economic and political relations between India and Nepal through increased smuggling and clandestine trade.

*See N.P. Banskota's thesis 'Indo-Nepal Trade and Economic Relations', p 312.

Bonn summit's negative benefit

London

V. R. Bhatt

Even though the British prime minister has called the Bonn summit's achievements as "negative benefits", the author believes that it should not be seen as another fiasco. He concedes that its endeavour was to cure the western economic ills and not to strengthen relations with developing countries.

WINDOW ON THE WORLD

WITHIN LESS than a week of the Bonn economic summit and the "comprehensive strategy" it formulated, "for growth, employment, inflation, international monetary policy, energy, trade and other issues of particular interest to developing countries" doubts have been expressed by both economic experts and by stock-exchanges. about the value of this widely publicised exercise of the heads of state or governments of the seven biggest industralised nations of the non-communist world. The misgivings of experts is whether the few definitive commitments made are adequate to provide the stimulus to growth or monetary stability. The stock exchanges after a brief moment of euphoria when equity prices went up and the American dollar appreciated, have reverted to the earlier pattern of reaction to developments as they occur or are expected.

But it is of importance to all countries and specially to India and the developing countries to examine the summit strategy and assess whether the commitments in particular of the USA, the Federal Republic of Germany and Japan can or will be fulfilled and if so their impact on international trade on the developed nations as a whole. Perhaps the best starting point to such an examination is the verdict of prime minister Callaghan, who worked the hardest of the participants to bring it about and who had perhaps the greatest expectations from it. The biggest benefit of the summit, he said in in the House of Commons, was its "negative benefit" "in that so far we have not gone too further down the road of protectionism, which we might have done, had we not met together". What is behind this statement is that the intentions or pledges made by the seven participants (who between them control more than 50 per cent of the world trade) would help in countering the intensive pressure by trade unions and in the parliaments for protective tariffs on imports which are considered to be damaging local industries and adding to the unemployed. Industrial exports from developing countries are among the targets of such pressure. Even more harmful to trade are the measures taken or under consideration by the developed countries themselves. The EEC had earlier decided to press for the right to impose additional import duties or quantative restrictions selectively on any country if they are considered to be disrupting the home markets.

It must however be noted that this negative benefit of the summit cannot be guaranteed till the Tokyo Round of Multilateral Trade Negotiations are concluded by December 15, 1978, the date now fixed. The interim report of the negotiations made public in Geneva on June 13 still leave some difficult and important issues unresolved. These relate to safeguards, the uniform application of GATT rules and a code of conduct in the international trading system. The summiteers have expressed the hope that these will be solved by December 15 and would mean not only a major trade liberalisation programme through the eighties but also important progress on non-tariff measures.

unfinished business

Taking first the summit declarations on relations with developing countries, the point which stands out is that they are in general terms and cannot be considered as revitalising the North-South dialogue for the establishment of a new and more equitable international economic order. On the unfinished business of the dialogue which ended inconclusively in Paris in June last year, the summit declaration is neither definitive nor comprehensive. There was no mention of implementing the acceptance in principle of the writing off of debts. Apart from a commitment by Japan to double its official financial aid to developing countries in three years (but in terms of the weak dollar but not in the strong yen), the commitments are for the "poorer developing countries," support of soft loan funds of the World Bank and the three regional banks and a replenishment of the IDA on a scale that "will raise its lending annually in real terms". For the advanced developing countries the summiteers will support replenishment of the multilateral banks' resources to meet the growing needs for loans on commercial terms. On the part of the developing countries in retnrn they expect coopera-

tion in creating a good investment climate and adequate protection for foreign investment.

On trade, the summiteers hope to work more closely with developing countries in the Tokyo Round of talks and to ensure that the result takes into account their needs such as special and differential treatment and "their greater participation in the benefits and obligations of the world trading systems".

On the question of economic and industrial structural change, vis-a-vis the developing countries, which is one of the basic requirements of a new economic order, the summit leaves it to the future in these words. "There must be readiness over time to accept and facilitate structure change, measures to prevent such structure change perpetuate economic inefficiency, place the burden of structure changes on trading partners and inhibit the integration of developing countries into the world economy."

A more positive intention is in the field of energy, where the summit promises to intensify national development assistance programmes and transfer of technology. They have requested the World Bank to explore ways in which its activities in this field can be made increasingly responsive to the needs of developing countries and whether new approaches in financing hydrocarbon exploration would be useful."

nuclear energy

In a matter of particular interest to India, the development of nuclear energy, the summit says it is indispensable and that the slippage in the execution of nuclear power programmes must be reversed. The two biggest suppliers of nuclear fuel, the USA and Canada, have pledged their firm intention to be reliable suppliers but "within the framework of effective safeguards". This leaves the future situation of American supply to India as vague as before except that the summit urges that the nuclear fuel studies cycle (to reduce the risk of proliferation in promoting peaceful use of nuclear energy) should be pursued.

Having considered the summit intentions towards developing countries, there is no challenging its affirmation that "success in our efforts to strengthen our economies will benefit the developing countries and their economic progress will benefit us". While the latter part of the proposition obviously requires greater commitment by the summit nations and other developed countries, the question is whether the first part can be achieved by the summit strategy. This consists in the main of two interlinked remedies on how to stimulate growth and bring greater stability to the international monetary system.

locomotive plan

Growth is to be generated by the so-called "locomotive plan" which however has been watered down. West Germany and Japan, "the locomotives" have come forward, with pledges of reflation to achieve strengthening of demand and a higher rate of growth. West Germany's contribution is to be one per cent of GNP, and Japan's 1.5 per cent above the performance of the previous year. Others though not in the same economic situation have also declared their intentions, within the limits permitted to contain and reduce inflation. Canada has the most ambitious target of upto five per cent. France will aim to increase the budget deficit by 0.5 per cent of GNP which is the measure of reflation. Italy hopes to raise the rate of growth next year by 1.5 per cent. The UK having already given a fiscal stimulus (by lowering direct taxes) of one per cent will concentrate on the fight against inflation.

All the above pledges or intentions are linked to the USA significantly reducing its oil imports. President Carter, although still hampered by the American Congress, made the boldest commitment of all at the summit. Oil imports, he said would be reduced by 2½ million barrels a day by 1985 and domestic prices will be raised to the world level by 1980. In addition tax cuts in the USA for 1979 have been, he said, reduced by 10 billion dollars.

If all these promises are implemented, western economies should become more healthy, but by no means buoyant in the short term. The slide of the dollar would be checked and the American balance of payments deficit reduced or reversed. The demand stimulus in West Germany and Japan (whose premiers also promised to curb exports) should help the weaker western economies as well as one hopes of the non-oil exporting developing countries. But there remain a number of unanswered questions. All the pledges are subject to legislative sanction as is to be expected in these democracies. Much will depend on the authority that the presidents or premiers can bring to bear on their parliaments. Perhaps the fact that the pledges were made at a summit keenly watched by the world, may influence the legislators, particularly of the American Congress, to be more responsive.

The second question is whether the reflation and stimulus in West Germany, Japan, France, Italy and Canada will balance what is clearly the deflationary trend in the USA. Here again perhaps, the reduced consumption of oil from the measures proposed by Mr Carter, would divert the savings to demand for other commodities.

vital question

The third and the most vital question is whether the "locomotive" stimulus is strong enough to reverse the western recession. The OECD has estimated that an overall rate of growth of four per cent is deeded merely to keep the rate of unemployment in the west stationary. It is doubtful if the proposed measures will in the short time produce a rate adequate to stop the growth of unemployment. The British treasury for instance in a projection paper is preparing to face a steady increase in unemployment.

Notwithstanding all these doubts, the summit should not be seen as another fiasco.It has strengthened cooperation between the biggest developed nations, and made them more acutely aware of the dangers of protectionism, monetary instability, and inflation. It was definitely a summit to cure the western economic ills and not to strengthen relations with developing countries. Nevertheless improvement in the economies of the west is a favourable development for the rest of the world.

With best compliments

from

HINDUSTAN GUM & CHEMICALS LTD.

Birla Colony
BHIWANI (Haryana)

Manufacturers of :

HICHEM

BRAND

GUAR GUMS

(for Paper, Textile, Pesticide & Explosive Industries)

GUAR MEAL

(A Nutritive Cattle - feed)

TOASTED GUAR MEAL

(A Nutritive Poultry - feed & Cattle - feed)

Pakistan's fifth Plan : emphasis on self-reliance

Under its fifth Plan beginning this year, Pakistan envisages an annual average growth rate of 10 per cent in industry and six per cent growth in agriculture. Priority is being given to development of human resources and provision of basic needs of the people.

THE FIFTH five-year Plan, launched on July 3, provides for a development outlay of Rs 210 billion. Seventyfive per cent of this will be financed from domestic resources and national savings. Consolidation and improvement of overall balance of the economy is the strategy evolved in the Plan which is expected to increase the GDP at the rate of 7.2 per cent per annum against an average of 3.1 per cent during 1972-77. Domestic savings will increase from 7.8 per cent of GNP during the last year to 12.5 per cent by the end of the Plan period.

Of the Rs 210 billion Plan expenditure, Rs 148 billion is for the public sector while Rs 62 billion is earmarked for private investment. In the public sector of Rs 148 billion, Rs 20 billion would be financed by autonomous bodies through the generation of their surplus and direct borrowing from the financial institutions within the country and abroad.

The Plan provides for private investment of Rs 62 billion during the next five years, which means that it should rise by 66 per cent from 1977-78 to 1982-83. But the greater involvement of the private sector in the development effort does not mean that a new exploitable role is being assigned to it. The interests of the consumer would be fully safeguarded.

new avenues

Among the new industrial areas opened up for private sector, substantial investment is anticipated in fertilisers, cement, chemicals, engineering, sugar and textiles, and the share of private sector during the Plan period is expected to be 48 per cent against 20 per cent during 1975-78.

Amongst the areas of major emphasis, first priority has been given to agricultural production which is expected to increase to six per cent per annum as against the average growth rate of 1.8 per cent during the last eight years. Another priority is related to human resources development and meeting the basic needs of the people. The present facilities for education, training, health and housing were grossly inadequate and emphasis on investment on human capital will be undertaken during the Plan period to the extent permitted by the resources. It is estimated that by the end of the Plan, 100 per cent boys of school-going age would have enrolled in Class I level. By that time, the basic health cover would be available within a radius of two to four miles and basic health units manned by paramedical staff would be created.

The following are the highlights of the five-year Plan:

The Plan outlay of Rs 210 billion includes Rs 148 billion for the public and semi-public sector and Rs 62 billion for the private sector.

The increase in Gross Domestic Product is projected at seven per cent.

production targets

To achieve a growth rate of six per cent per annum in the agricultural sector, wheat production is targetted at 12.8 million tons, rice 3.9 million tons, sugarcane 34.3 million tons and cotton five million bales.

Industrial growth is projected at 10 per cent per annum. Investment is expected at Rs 40 billion of which Rs 21 billion will be by the public sector and Rs 19 billion by the private sector.

In the public sector, 69 per cent relates to basic industries such as steel, fertilisers, chemicals, cement etc.

In the private sector programme of Rs 19 billion, Rs 4.8 billion is for textile, Rs 3.9 billion for fertilisers, Rs 1.3 billion for three new cement plants and Rs 1.2 billion for six new sugar mills.

In industries, the targets of production are: Cotton yarn 548 million kg; cotton cloth 2,465 million metre; sugar 1,000,000 tons; vegetable ghee 6,50,000 tons; fertilisers 1,387,000 nutrient tons; cement 6,000,000 tons and steel 800,000 tons. In cotton yarn, cloth and cement the annual increase is expected to be over 13 per cent; in fertiliser 32 per cent; vegetable ghee 9.6 per cent and sugar 4.6 per cent.

social services

In social sectors, the country will have an additional 4,596 basic health units, 625 more rural health centres, another 25,820 hospital beds, 12,917 more doctors, 4,780 more nurses and 25,886 more paramedicos.

School enrolment of boys will increase from 5,622,000 to 7,678,000 and of girls from 2,102,000 to 3,558,000.

The foremost objective of the Plan is the elimination of the basic weaknesses of the national economy and strengthening of the economic base for sustained progress. The investment, savings, trade and growth policies have been designed to achieve these objectives over the Plan period.

Concrete programme have been included in the Plan to achieve the following main objectives:

(1) Development of rural areas.

(2) Easing of urban problems.

(3) Development of backward areas.

(4) Meeting of the basic needs of the population and promotion of equity.

(5) Laying down the foundation of long-term economic growth.

The Plan recognises the overall objective of the nation to develop a humane, just and progressive society, based on Islamic values. Economic development is presented as one of the instruments for realising this overall comprehensive goal.

The objectives of the Plan are to be seen as part of the process by which the nation is seeking to fulfil its destiny.

The focus of the Plan covering a wide variety of programme would be the rapid development of agriculture based on efficient utilisation of the potential of the nation in term of land, manpower and water resources as well as expanded and more intensive use of modern inputs and creation of permanent institutions in this vital sector of the national economy.

The target of six per cent growth rate in agriculture projected for the Plan period is essential for meeting the basic needs of the people, stabilising prices and improving the balance of payments.

The highlights of this sector are:

(a) To achieve a growth rate of six per cent per annum for the agricultural sector;

(b) To mark a transition from self-sufficiency in wheat, as the main concern, to export of agricultural products as the prime objective, to increase production of rice for domestic consumption and export of other agricultural commodities to a feasible extent, based on proven natural advantage and world market prospects;

(c) To increase oilseeds production with a view to containing imports of edible oil;

(d) To accelerate production of protein rich foods such as pulses, meat, milk, eggs, and fish at a rate higher than the population growth in order to improve nutritional level of commonman;

(e) To accelerate production and productivity of cotton and sugarcane;

(f) To accelerate fruit and vegetable production for local consumption and exports;

(g) To upgrade agricultural production in the ill-endowed areas (arid, hilly, sailaba and barani) through integrated plan for exploitation of natural resources with a view to minimising inter/intra-regional farm income disparities;

(h) To improve productivity of small farmers in the irrigated areas who constitute majority of the farming community;

(i) To diversify agriculture, possibly through multiple cropping system and by promoting such minor crops as soyabean, sunflower, etc; and

(j) To increase and protect wooded area and to develop range lands for livestock production.

Under the Plan, wheat production is projected to increase sufficiently to eliminate the need for huge imports besides achieving substantial increase in export of cotton and rice by the end of the Plan period. An increase of 2.5 per cent per annum is projected in the irrigated cropped acreage and yields are expected to increase by over four per cent per annum. Special attention is to be paid to fertiliser consumption which is expected to double over the Plan period the bulk of which will be produced locally.

In the industrial sector, emphasis has been placed on the completion of Karachi Steel Mill and the commissioning of ongoing fertiliser and cement factories. Public sector industrial development in other areas will be confined generally to modernisation and balancing of capacity.

Under the Plan, industrial growth is envisaged at an annual average rate of 10 per cent as a result of improved utilisation of capacity in both the public and private sectors, completion of major projects in public sector and a more favourable private investment climate. Private sector would play a more active role in development during the fifth Plan, particularly in the industrial sector. Roughly half of the industrial investment during the Plan would be in the private sector compared to 20 per cent in the recent past.

THE INDIAN SMELTING & REFINING COMPANY LTD.

(FERROUS FOUNDRY)

1ST POKHARAN ROAD, PANCHPAKHADI
THANA - 400 606
(MAHARASHTRA)

Leading Manufacturers of

Malleable Iron Castings for Automotive and Electrical Transmission and S.G. Iron Axle Box Bearings, Crankshafts etc. upto 1 Ton.

It is not often that a minister puts himself out to be modest about his government's or his party's achievements. West Bengal's Finance minister is a special kind of person in this respect, as he is in many others. Last week, in Calcutta, I asked him whether he could point to any improvement in the living conditions of the people of that city for which the state government could take credit. He said that there were some marginal gains at some points; for instance, the condition of the roads had been improved. According to him this has been done not so much by spending more money on maintenance or repairs but by seeing to it that there were less "leakages" of the funds allotted for that purpose.

Dr Mitra then suggested that, perhaps, the question I had asked him should be put to some of the people I might be meeting while I was in the city, since it is their experience which would be relevant. It so happened that, on the following day, my path crossed that of a friend from Delhi who had also come to Calcutta for a short stay. I learnt from him that he was in fact discussing life in Calcutta with the taxi driver who brought him from the airport. One of the things the latter told him was that the roads were now in much better shape than they had been for a long time and that this had contributed to making life easier all round. The taxi driver also spoke of a decline in lawlessness in the city and he gave special expression to his sense of relief over the easing of the prices of some of the essential commodities such as rice, edible oils and even *dal*; he pointed out, however, that some of these prices had risen to exorbitant levels earlier.

Dr Ashok Mitra, again, used the adjective "marginal" to describe the improvement in the power situation. Some of the industrialists, whom I met, however were disposed to be much more enthusiastic about the progress achieved in this direction. They were full of praise, particularly, for the vigorous measures taken to put the affairs of the Santaldih power station in order. They also suggested that, whether one saw it as a "management" problem or as a problem of "labour discipline", it was always clear that the malfunctioning of this facility, which had been making its own considerable contribution to the power shortage from which both industrial and domestic consumers were suffering, was, in either case a "man-made" problem for which the men concerned could find solutions if only they would. This assumption has turned out to be right.

Businessmen are generally thought to be good at making money out of other people's optimism as well as out of other people's pessimism, but those among them who are in the jute industry just do not seem to know what they can do about their own pessimism regarding the prospects for this industry. When they say "prospects", they do not mean a period of 10 or even five years ahead but a shorter future. One of them even suggested that the faster more jute mills fell sick the sooner the painful uncertainty would end since the CPI(M) would find its party purpose more quickly accomplished by the progressive, if piecemeal take-over of the jute industry by government appointed managements. This may be a degree of fatalism which is prevalent only among some leaders of the industry, but it is nevertheless clear enough that the business community in West Bengal is persuaded that the present government in the state is not awfully keen on acquiring a reputation as industry's best friend even where the fortunes of industries significantly relevant to the well-being of the state's economy are concerned. If one were to put the most favourable construction on the real state of government-industry relations in West Bengal at the present time, one might say something like this: the government does not enjoy working with private enterprise, but it knows that it has to live with it; the business community does not relish having to live with the government, but it knows that it has to pull on with it.

The Times of India featured its report on the meeting between Mr Morarji Desai and Mr Charan Singh on July 17 under the caption "Desai and Charan Just About Break The Ice". If there was any breaking of the ice at all, it could only have been because of the rise in the body temperature of the ex-Home minister who was having fever at the time. Otherwise, there clearly was no warmth anywhere. Mr Charan Singh was feeling aggrieved that Mr Desai had not given him the trust and affection which he thought he was entitled to. Mr Desai's complaint was that his erstwhile colleague in the government had not displayed the sense of responsibility required of one in his position. This is the kind of dispute which must be the despair of marriage counsellors or matrimonial courts—at which point, perhaps, I may refer to Mr Charan Singh's wife.

That good lady's sole concern must naturally be the physical well-being of her old and ailing husband. Since she seems to think that even his life, let alone his health, might depend on the mending of the injury his ego has suffered, she is greatly interested in his returning to the cabinet without any loss of prestige. Mr Charan Singh's associates or advisers, such as Mr Raj Narain or Mr S.N. Mishra, may not be of much help to her here. In fact the only person who can help her out is Mr Morarji Desai. But, then, it is not too easy for him to do this since the Congress (I) is resolutely exploiting the opportunity given to it by the ex-Home minister's public pronouncements about corruption in high places

MOVING FINGER

VB

TRADE WINDS

Export Efforts

MR MOHAN Dharia, minister for Commerce, Civil Supplies and Cooperation stated recently that intensification of export efforts call for a thoroughgoing commodity-wise and country-wise study and a review of production, capacity constraints in order to improve present export levels and to identify new export products and new export markets. He said that to achieve this purpose government had already appointed separate task forces for electronics, agriculture, handicrafts, gems and jewellery and leather and leather manufactures. These task forces with which trade and industry is fully associated, will also indicate new marketing strategies, modifications and improvements necessary in policies for increasing efficiency of export production and improving export services and export infrastructure. Similar task forces have also been set up for promoting exports of small-scale industry and for improving export services.

The minister of state for Commerce, Civil Supplies and Cooperation, Mr K.K. Goyal, has also recently emphasised the need for cooperative endeavour among the exporting communities in different countries. The numerous advantages that can accrue from such cooperative venture are joint or group export marketing for better unit value realisation, improvement in bargaining strength, elimination of cut-throat inter-se competition, improvement in quality through constant research and development otherwise beyond the reach of small and medium manufacturers and exporters and adoption of effective sales techniques as also aggressive export market strategies. The minister of state was inaugurating a Post Graduate Diploma Programme in International Trade at the Indian Institute of Foreign Trade.

Concept of Cooperation

Mr Goyal pointed out that the concept of cooperation had been extensively and successfully tried by many countries in different parts of the world in areas like production, processing, distribution, research and development, export publicity and export marketing. However, not much headway had unfortunately been made in this direction by the exporting community in our country, he said. Analysing the growth of India's foreign trade during the post-independence period, he added that the shift and emphasis in overseas sales from low value primary or traditional products to higher value-added and non-traditional items, the diversification of foreign trading partners and the impressive export performance reflected in sharp rising index cards and graphs were merely a manifestation of the dynamism that had been injected into export field of our country. Our exports had increased from Rs 16,000 milion in 1971-72 to nearly Rs 54,000 million in 1977-78. He, however, warned against taking a complacent view of the export trends.

Industrial Production

Mrs Abha Maiti, minister of state for Industry, stated in a written reply to a question in the Rajya Sabha recently that the rate of industrial production is likely to go up this year as compared to that of last year. She pointed out that government have given eertain incentives to increase the industrial production. These include tax relief for investment in equity shares of new companies, exemption from excise duties for small scale units in specified industries subject to certain conditions, reduction in import duties on certain items of capital equipment etc. In addition other measures such as liberalisation of import policy and incentive for higher production in cement industry have also been introduced.

Development of Ahmedabad Airport

The renovation and expansion work at the Ahmedabad airport will be completed by the middle of 1979. The capacity of the new terminal building will approximately be twice the capacity of the existing one. The terminal building will provide an arrival hall capable of accommodating 150 passengers and 75 visitors, a departure concourse to accommodate 200 passengers and 100 visitors along with a separate departure holding area for security cleared passengers to accommodate approximately 200 passengers. Besides the new terminal building, a new technical building and control tower with modern aids, will be constructed. The runway and associated pavements will also be strenghthened.

There is no proposal to make arrangements for international flights at Ahmedabad airport after its renovation and expansion. The airport would continue to be the designated alternate for Bombay for international flights.

Landing Facilities at Bombay

The following steps are under consideration of the government to ease the congestion at Bombay airport: (i) No additional landings to be permitted between 2200 and and 0600 hours; (ii) Efforts to be made in the IATA scheduling committee to have the existing flights rescheduled; (iii) A surcharge be levied on all night landings at Bombay airport; and (iv) Development of Trivandrum airport to be undertaken to divert Gulf traffic to the maximum possible extent. This information was given in Rajya Sabha recently by the minister of Tourism and Civil Aviation, Mr Purushottam Kaushik, in reply to a question He, however, added that the question of any breakdown of facilities at Bombay did not arise, even though during peak hours there was congestion at the airport.

Import of Cotton

It is the policy of the government not to import cotton in circumstances that would be detrimental to the interests of the indigenous cotton growers, stated Mrs Abha Maiti, minister of state for Industry in reply to a question in Rajya Sabha.

During the cotton season 1976-77 (September-August) about 818,000 bales of cotton

had been imported. During the current cotton season 1977-78 a spillover quantity of 207,000 bales of cotton, out of the quantity contracted during the previous year, had been received.

SDR Repayment to IMF

This country has repaid to the International Monetary Fund its drawing equivalent of SDR 201.34 million under the Fund's Oil Facility 1975. This drawing was made in August 1975. With this repayment, India does not have any outstanding drawing from the Fund at present.

Chemical Exports

An export target of Rs 200 crores has been envisaged for chemicals by the Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council (CHEMEXCIL), Bombay for 1978-79. This is made up of Rs 62 crores of drugs, pharmaceuticals and fine chemicals in group 1. Rs 40 crores of eyes intermediates, alcohol and coal tar chemicals in group II, Rs 25 crores of basic inorganic chemicals including agro-chemicals in group III, Rs 18.50 crores of glycerine, soaps, detergents, cosmetics and toiletries in group IV, and Rs 7.50 crores of agarbatties, Rs 7 crores of essential oils and Rs 40 crores of crude drugs and other miscellaneous items in group V. The estimated exports from April to June this year at Rs 32.6 crores have fallen short of the pro-rata target for the period fixed at Rs 50 crores, though they have increased by 14 per cent from the exports of Rs 28.5 crores registered in the corresponding period of the previous year.

The chief factors for the shortfall have been cited as the various degrees of power cuts in the states as well as the congetion at the ports of the country through which these exports are made, leading to a cut in production.

Labour unrest also may have played its part in slashing the output leading to a cut in production and the exports in consequence. This is amply reflected in the fact that the rate of increase in the exports has declined sharply from 34 per cent in April-June 1976-77/1977-78 to only 14 per cent in the same period in 1977-78/1978-79.

Of the total exports of Rs 32.64 crores from April to June this year items of group I, namely drugs, pharmaceuticals and the fine chemicals, have accounted for the most, visually Rs 14.95 crores (Rs 6.32 crores), group II of dyes and intermediates, alcohol and coal-tar chemicals coming a poor second at Rs 5.52 crores (Rs 7.54 crores). Group III is just behind group II with the figure at Rs 4.89 crores (Rs 4.25 crores). The rest of the groups account for between Rs 27 lakhs and Rs 2.61 crores.

Shifting of Units

In the press note of July 27, 1977, decision of the government was conveyed that if an industrial undertaking wishes to shift a portion of its manufacturing activity to a backward area within the same state, there would be no need to obtain prior permission of the government of India for such change of location provided that the prior permission of the state government concerned is obtained by the industrial undertaking. The need for extending this facility further to cover shifting of the entire undertaking from a forward area to a backward area in the same state has been considered in this ministry. It has now been decided that if an undertaking wishes to shift its entire manufacturing activity from a forward area to a backward area within the same state, there would be no need to obtain prior permission of the government of India for such a change of location provided that prior permission of the state government concerned is obtained by the industrial undertaking. The industrial undertaking will, however, be required to furnish information about the change of location to the administrative ministry, technical authority concerned and also the secretariat for Industrial Approvals in the ministry of Industry.

Guidelines on Capital Goods Imports

The Commerce ministry has recently issued certain important clarification regarding import of capital goods by industrial units registered with DGTD facilities for import of raw materials and components without the requirement of import licence by research and Development units and import of basic chlrome power including chromosole SF and chromoline. A public notice says that pending finalisation of necessary administrative arrangements for the decentralisation of DGTD, it has been decided that applications for the import of capital goods up to the value of Rs 10 lakhs by industrial units registered with DGTD should be submitted to the Chief Controller of Imports and Exports, New Delhi instead of the regional licensing authorities concerned. After a decision has been taken, the applications will be sent to the regional licensing authorities concerned for implementation of the decision by issue of import licence or otherwise, as the case may be.

According to another public notice 14 research and development institutions will be allowed to import raw materials components subject to the actual user condition. These institutions are: Saha Institute of Nuclear Physics, Calcutta; Tata Memorial Centre (Tata Memorial Hospital and Cancer; Research Institute), Bombay; Tata Institute of Fundamental Research, Bombay; Institute of Physics, Bhubaneswar; Indian Association for Cultivation of Science, Calcutta; Bose Institute, Calcutta; Birbal Sahani Institute of Palaeobotany, Lucknow; Raman Research Institute, Bangolore; Maharashtra Association for the Cultivation of Sciences, Poona; Wadia

last date overtaking you!

- HASTEN TO FILE YOUR TAX RETURNS.
- REMEMBER TO PAY TAX DUE ON SELF-ASSESSMENT BEFORE FILING THE RETURN.

Issued by:
DIRECTOR OF INSPECTION
(Research, Statistics & Publication)
INCOME TAX DEPARTMENT
New Delhi-110001

davp 78/142

Institute, of Himalayan Geology, Dehradun; Shree Chitra Tirumal Medical Centre, Trivandrum; Central Bee Research Institute, Poona; Indian Sandards Institute, New Delhi and Indian Statistical Institute, Calcutta.

On a view of the position, it has also been decided that REP licences which have been issued against the exports of leather falling under S.No. 11 to D-14 of the import policy for registered exporters will be valid within their overall value for the import of basic chrome power including chromosol SF and cromoline.

Roller Flour Mills

In the press note of October 27, 1966, the government had announced liberalisation in the licensing policy to increase production of articles by the licensed/registered undertakings up to 25 per cent of the capacity licensed or registered, without obtaining any further licence subject to the following conditions: (i) No additional plant and machinery is installed, except minor balancing equipment procured indigenously; (ii) No additional expenditure of foreign exchange is involved; (iii) Such extra production does not occasion any additional demand for scarce raw materials.

The government had under consideration a proposal to increase the limit of 25 per cent to 50 per cent in so far as the roller flour mills for grinding wheat, in view of the comfortable position in regard to stocks of wheat and also to improve the market availability of wheat products at reasonable prices. It has now been decided to permit licensed/registered undertakings in the roller flour milling industry to grind additional 50 per cent of their licensed capacities subject to the conditions mentioned above. It is also hereby clarified that the facility of increasing production beyond licensed/registered capacity up to 50 per cent would be available to undertakings in the roller flour milling industry for a period of six months from July 22, 1978.

PVC Resin Release

In a bid to meet the current shortage of various grades of PVC resins, the State Chemicals and Pharmaceuticals Corporation, a subsidiary of STC, has decided to make available, on an immediate basis, an additional quantity of about 2,000 tonnes to registered allottees having valid allocation orders. With the availability of this quantity of imported PVC resins, it is expected that the immediate needs of small and medium units will be met.

Assistance for Workers' Housing

The Housing & Urban Development Corporation (HUDCO) has decided to extend financial assistauce to corporate employers in the public sector for construction of houses for sale to their employees Earlier, HUDCO, had, for over two years, been extending financial assistance to employers for construction of houses for letting out their employees. The new scheme will not only help relieve the employers from the heavy strain caused by maintenance cost but will also instil a sense of security in the employees who would be assured of a roof over their heads even after retirement. Taking advantage of this scheme, public sector corporate employers are expected to provide ownership houses to their employees, thereby also making a contribution towards solving the housing shortage that has acquired gigantic proportions.

Durgapur Steel

Despite certain constraints, the performances in the blast furnace, steel melting shop, merchant mill, skelp mill, fish plate plant and sinter plant of Durgapur steel plant were better in June than those in the previous month. The production of 65,620 tonnes of saleable steel was also an improvement on the output of 63,084 tonnes in May. The production of 84,007 tonnes of steel ingot during the month was also up by 3,176 tonnes. The major hindrances were erratic and restricted supply of power as also poor stock of reclaimable coal. The plant, consequently, had to be in for a loss of 6,637 tonnes of saleable steel and 9,968 tonnes of sinter during the month.

During June, the plant despatched 1,133 tonnes of bellets and 240 tonnes of IMBP for export. The total despatch of saleable steel during the month was 64,577 tonnes. The plant produced the following high value items: 504 tonnes of section mill products, 74 tonnes of lancing tube skelp and 32 tonnes of DDQ skelp.

India's Investment Climate

Red tape has been marked as the biggest disadvantage in the investment climate of this country. This is the result of a study undertaken by an International Standing Panel this year. Out of altogether 44 countries, of which the investment climate has been judged, India ranked 41st achieving just 37.2 of 100 possible points, the mark for very favourable investment climate. According to the survey, the investment climate is best in Switzerland (82.2 points) followed by West Germany with 82.0 points.

Names in the News

Dr M. Krishnamoorthi, a leading management expert took over as executive director of the National Productivity Council on July 6, 1978. Dr Krishnamoorthy specialises in management development and productivity promotion and has made significant contributions to the movement for the promotion of professional management and productivity in India and abroad.

The board of the Shipping Corporation of India has been reconstituted with five new executive directors. **Mr A. Das**, additional secretary to the department of Statistics in the the ministry of Planning is being appointed executive director in charge of Administration and Personnel departments. The other four from the SCI staff are: **Mr P. C. Shukla**, **Mr B.L. Mehta**, **Dr J. C. Sheth** and **Mr. V. M. Parekh**. Mr Das will be on deputation for a period of two years during which he will be required to exercise his option for tenure appointment in the undertaking or reversion to his cadre.

In the case of others, the tenure of appointment would be for a period of five years or the age of superannuation whichever is earlier.

COMPANY AFFAIRS

Birla Jute

Birla Jute Manufacturing Company has earned a higher gross profit of Rs 843.52 lakhs during the year ended March 31, 1978, against Rs 728.24 lakhs in the previous year. Sales have risen from Rs 72.91 crores in 1976-77 to Rs 76.04 crores in 1977-78. The board of directors at its recent meeting has recommended the maintenance of ordinary dividend at 20 per cent on 39,89,054 equity shares.

With an income tax refund of Rs 45.12 lakhs for earlier years and excess provision of Rs 21,000 for preference dividend for 1976-77 being the company's share of income-tax the total available surplus for the year is Rs 888.85 lakhs against Rs 817.16 lakhs last year. Depreciation claims Rs 268.61 lakhs (Rs 236.69 lakhs), and taxation Rs 240 lakhs (Rs 235 lakhs). The allocation for proposed dividends is Rs 88.72 lakhs, same as in the previous year. A sum of Rs 229.77 lakhs (Rs 218.27 lakhs) has been transferred to general reserve. It has been pointed out that 30 per cent of the dividend would be exempt from tax in the hands of shareholders, thanks to the profit earned from Durgapur Cement.

The company, according to Mr S. N. Prasad, president (finance), had to contend with growing deterioration in the supply of power, coal, railway wagons and raw materials such as jute fibre. It could still achieve satisfactory results largely due to the improved working of the staple fibre and calcium carbide divisions. Like any other unit in the jute industry, the jute mills of the company were hit by the scarcity and high cost of raw jute. They are, however, more fortunately placed as with their own generation of power, they could escape the power crisis in the state. The assured power supply and the improved demand for hessian and carpet backing helped the company in maintaining production and export of jute goods.

Export Earnings

Out of a total production of 29,901 tonnes in 1977-78, over 19,000 tonnes were exported. In the previous year, exports amounted to 1,958 tonnes. Jute goods exports contributed about Rs 8.50 crores to the company's total export earning of Rs 9.51 crores (Rs 8.54 crores). There had been a decline in the production in the cement division from 1,385,416 tonnes in 1976-77 to 1,359,497 tonnes. The increase in production capacity at Durgapur from 400,000 tonnes to 600,000 tonnes since December 1977 has not been able to offset the loss of production at Chittor and Satna. Plans are being finalised to raise the capacity of the Satna plant from 600,000 tonnes to 1.4 million tonnes at a capital investment of Rs 30 crores. Work on the project was expected to start by the end of this year or beginning of next year.

Century

Century mills palm oil project in Malaysia with a daily capacity of 200 tonnes is expected to be commissioned around September this year. The cost of the project which has been set up in association with PICA, a well known financial insitution of Malaysia and GATCO, a labour union in that country, is placed at Rs 5 crores. A spokesman of Century Mills revealed recently that the association of the labour union was a unique feature of the project and this showed that the workers' union had full confidence in the future of the venture. Once the project is commissioned it will start shipping palm oil to India, which is deficient in oil production, he added.

Century synthetic yarn plant in Indonesia is planning to expand its spindleage from 14,000 to 20,000. The expansion is expected to be completed by the end of 1979.

Gwalior Rayon

The Gwalior Rayon Silk Manufacturing (Weaving) Co Ltd (Grasim) is setting up in Thailand a Rs 10-crore carbon black project in technical collaboration with Philips of USA. According to Mr Aditya Birla, vice chairman of Gwalior Rayon, this plant would be "the first of its kind in Thailand." A new company known as Thai Carbon Black Co has been formed, with a share capital of equivalent of Rs 4.50 crores to implement the project. Grasim will be subscribing for shares of the value of Rs 70 lakhs and the shares are to be allotted against the supply of plant and equipment by Gwalior Rayon. The balance of the capital is to be raised from the public of Thailand.

Mr Birla stated that the basic engineering facilities and drawings will be provided by consultants in India including the firm of Birla Consultants. The project is likely to be commissioned by the end of 1979. Mr Birla said that the government of Thailand has given a wide range of fiscal concessions for the success of the project. The Thai government has "guaranteed" to impose a 30 per cent import duty on carbon black six months before this plant goes into production. The government has also promised that there will be no further licensing of a similar project for another five years. These measures will go a long way for the progress of this nascent unit in Thailand, added Mr Birla.

Fiscal Concessions

The other fiscal concessions given by the Thai government to encourage the establishment of new enterprises include: (a) 8 year tax holiday, (b) exemption from tax on dividend remittances abroad for eight years, and (c) business tax (sales tax) presently amounting to 1.5 per cent will not be levied on the products of new companies for a period of eight years. Mr Birla pointed out that another venture in Thailand promoted by Gwalior Rayon in faring very well. Grasim has participated in the share capital of The Rayon Co to the tune of Rs 1 crore out of its total capital equivalent to Rs 3.5 crores.

In the very first year of its operation (October 1976—Sept. 1977) the company had been able to declare a dividend of

fiue per cent. This company is planning to raise the capacity from 24 tonnes of viscose staple fibre a day to 40 tonnes a day. Nearly 30 per cent of the production is being exported to various countries. This company is exporting to India nearly 250 tonnes of viscose staple fibre a month.

Indo-Thai Synthetic Ltd, promoted by the Birla Bros, is also planning to increase the spindleage from 12,000 to 30,000. This company is exporting 40 per cent of its output of spun yarn to various countries in Europe and Africa and to Afghanistan and Indonesia.

Hindustan Motors

Hindustan Motors Ltd has skipped the ordinary dividend for the year ended March 1978. The revenue account shows a suplus of Rs 1.02 crores, after providing Rs 4.12 crores for depreciation (including Rs 1.32 crores) against earlier arrears of Rs 3.50 lakhs for investment allowance. After adjusting the said surplus against the debit balance of Rs 1.01 crores brought forward from the previous year, there remains a credit balance of Rs 70,945 which is proposed to be carried forward. There will be no tax liability for the year.

Warren Tea

Warren Tea Limited will be entering the capital market with a public issue of 7,20,000 equity shares of Rs 10 each for cash at par on August 7, 1978. The sudscription list will close at the close of banking hours on August 18, 1978 but not earlier than August 9, 1978. The company, with the requisite consent of the Reserve Bank of India and the government of India, has. by a scheme of arrangement for amalgamation between the company and the 11 sterling companies all incorporated in the UK having their tea estates situated in the state of Assam, acquired the Indian undertaking of the sterling companies as going concerns with their assets and liabilities as at the close of business on October 31, 1977. The total valuation of the sterling companies has been fixed by the Reserve Bank of India at Rs 4,40,50,000.

Amalgamation

The company has in part satisfaction of the aforesaid consideration allotted at par, equity shares of the total value of Rs 240.50 lakhs credited as fully paid-up for consideration otherwise than in cash to the existing shareholders of the streling companies; for the balance consideration of Rs 200.00 lakhs, the company has created interest-free unsecured updated loan stock units of Rs 2 crores (divided into 20,000 units of Rs 1,000 each) and is taking steps to issue the necessary certificates therefore to the existing shareholders of the sterling companies with a right to the company to redeem the full amount of the said loan stock units by giving 14 days previous notice in writing. In terms of the arrangement for amalgamation, all the employees of the Indian undertakings of the sterling companies have, in their service as at the close of business on October 31, 1977, become employees of the company without interruption in service and on existing terms and conditions of service.

The object of the present issue is mainly to achieve Indianisation of the company in conformity with the policy of the government of India and the directors of the Reserve Bank of India according to which the non-resident interest is not to exceed 74 per cent. After the issue of firm allotment of 65,000 shares to financial insitutions and after the issue of 7,20,000 equity shares of Rs 10 each to the public and of 60,000 shares reserved for offer to the Indian directors, employees and business associates are issued and made fully paid-up, the ultimate non-resident holding in the share capital of the company will be approximately 73.67 per cent, the remaining share capital to be held by the Indian nationals resident in India.

Accumeasures Punjab

Accumeasures Punjab Ltd entered the capital market on July 25 with an issue of 410,000 equity shares of Rs 10 each at par. Of this, 8,200 shares have been reserved for allotment to the Punjab State Industrial Development Corporation (PSIDC) and the remaining 401,800 shares are being offered to the public. A sum of Rs 2.50 is payable on application. The subscription list will close on August 4 or earlier but not before July 28. The Merchant Banking Division of Bank of India is acting as managers to the capital issue. The company has been promoted jointly by PSIDC and Mr Bipinder Singh Brar, a business management expert. The company has been licensed to produce various types of precision instruments, measures and all kinds of measuring apparatus.

The project involving an outlay of Rs 204 lakhs, has already been set up at Mohali, Punjab with the help of P.E. Consulting Group Ltd of the UK. The company has commenced production since January last. The company has already commenced commercial production of some guages from January 1978. Trial runs for other products are expected to start shortly. According to Mr B.S. Brar, managing director, sales in the current year so far are around Rs 20 lakhs. Sales for 1978 are estimated at around one crore rupees. The company hopes to achieve 40 per cent capacity in the first year, 60 per cent in the second year and 80 per cent in the third year. The break-even point is placed at 32 per cent. The company's products will be used widely in the sophisticated engineering industries, particularly where accuracy has to be maintained and where machining tolerances of exacting standards are required. Currently these instruments

Field Gun Factory, Kanpur

Tender Enquiry No. OT/78/PV

General Manager invites sealed tenders for the following stores :

Ferro Manganese (High Carbon) C-6%, Mn-75%—Qty. 35MT.

Ferro Manganese (Low Carbon) C-1%, Mn-80%—Qty. 25 MT.

Ferro Silicon (Si-70%)—Qty. 25 MT.

Ferro Chrome (High Carbon) C-6%, Cr--70%—Qty. 45 MT.

Ferro Chrome (Low Carbon) C-1%, Cr-75%—Qty. 15 MT.

Iron Ore with spece. as under :

Fe-60 to 62% Al_2C_3—3 to 6%, Si O_2—5% Max.

P-0.07% Max, S-0.05% Max, Size 15-40 mm—Qty. 500 MT.

Nickel Pure (Ni-99.8%) in the form of pellets.

Size 5 mm to 8 mm dia. Specn : BS-375 of 1930.

Grade A or IS-2782 of 1964 Grade 2—Qty. 50 MT.

Tenders must be made out on special forms which can be obtained on request from his Office only through crossed postal order for Rs. 10/- drawn in favour of General Manager, Field Gun Factory, Kanpur upto 11-8-78. Tenders will be opened at 3.00 p.m. on 1-9-78.

Contractors not registered with the Factory should separately apply for registration.

For details see Indian Trade Journal of 5/12-7-78.

davp. 685(198) 78

are being imported. The company will thus be achieving import substitution.

Remington Rand

Remington Rand of India has recently received the sanction of the RBI for its disinvestment proposals submitted by the company's non-resident shareholders. It is now anticipated that all the formalities in this connection will be completed in the current year, which would result in the removal of the FERA constraints and thus enable the company to undertake suitable expansion and diversification programmes. Operations in the first quarter of the current year (April-June) continue to be satisfactory. To counterbalance any dislocation of production due to irregular power supply, sufficient number of generators have been installed in the manufacturing locations which will ensure availability of power. The company expects to maintain the rate of progress for the rest of the year.

Larsen & Toubro

The board of Larsen and Toubro has proposed to maintain the equity dividend of 16 per cent for 1977-78. The company's sales and other income were recorded at Rs 79 crores as against Rs 81 crores in 1976-77, its gross profit was around Rs 10.93 crores as against of Rs 14.22 crores for the previous year. For 1975-76 the company earned gross profit of Rs 9.95 crores on sales and income of Rs 72.13 crores. The working conditions at the company's Powai complex were disturbed for 96 days owing to inter-union rivalry.

The company has sought the government's approval for a 6400 tonnes per day clinker project to be set up at Chandrapur in Maharashtra. The company's cement project with an annual capacity of over 2.1 million tonnes a year is proposed to be set up in two stages and the first stage is expected to cost about Rs 60 crores.

The company's profit after tax for 1977-78 amounted to Rs 4.99 crores against Rs 6.35 crores for the previous year after providing Rs 1.54 crores (Rs 1.48 crores) for depreciation and Rs 4.40 crores (Rs 6.40 crores) for taxation. A sum of Rs 26 lakhs (Rs 41 lakhs) is provided for investment allowance, leaving disposable profit of Rs 4.70 crores against Rs 5.94 crores. For 1975-76 the compan'ys net profit was Rs 4.07 crores. The proposed equity dividend will claim Rs 1.85 crores and preference dividend Rs 10 lakhs.

Mafatlal Modernisation

Mafatal Fine has drawn an ambitious modernisation programme for its textiles as well as chemicals division involving an outlay of about Rs 10 crores. In the textiles division, 488 looms are to be replaced by automatic looms and complimentary processing facilities are proposed to be set up. The modernisation of the textiles division which will be spread over two or three years is estimated to cost Rs 6.20 crores. The company has applied for a soft loan of Rs 3.20 crores from the IDBI to meet a part of the modernisaion cost. In the chemicals division, it proposes to instal balancing equipment and create facilities to have a flexibility in its product-mix. With the replacement of some equipment last year, the company is now able to reach the full rated capacity of 6,000 tonnes of hydrofluoric acid per annum. Its application for combining the licensed capacity of synthetic cryolite, aluminium fluoride and fluorocarbon gases has been approved by the government. This will facilitate an ideal product-mix according to the industry's requirements.

ITC

ITC has maintained the equity dividend at 15 per cent for the year ended March, 1978, which will be payble on 189.50 lakh equity shares of Rs 10 each. The bonus shares issued on June 14,1978 will not be entitled for the dividend. According to the preliminary statement, the pre-tax profit amounted to Rs 8.45 crores against Rs 8.73 crores in the previous year. The provision for taxation is Rs 4.33 crores (Rs 4.79 crores). After adjustments, a sum of Rs 1.02 crores (nil) has been allocated to investment allowance reserve, Rs 10 lakhs (same) for debenture redemption reserve and Rs 27.61 lakhs (Rs 1.05 crores) to general reserve.

Machinery Manufacturers

Machinery Manufacturers Corporation has declared an equity dividend of six per cent for the year ended March 1978, besides clearing the arrears of preference dividend for seven years from 1971-72 to 1977-78. While sales have come down from Rs 11.94 crores in 1976-77 to Rs 10.83 crores in 1977-78, the gross profit has increased from Rs 75.18 lakhs to Rs 88.61 lakhs. After providing Rs 23.06 lakhs (Rs 21.22 lakhs) for depreciation, Rs 10.16 lakhs (nil) for investment allowance and Rs 12 lakhs (nil) for taxation, after making some adjustments the disposable surplus is Rs 19.33 lakhs. Preference dividend will absorb Rs 15.32 lakhs (Rs 10.94 lakhs) and equity dividend Rs 3.61 lakhs, leaving a surplus of Rs 40,000 to be carried forward. For the current year ending March 1979, the demand for textile machinery appears to have improved. The company has undertaken plans for expansion with product diversification into an improved range of textile machinery and into the micro processor and industrial haulage fields.

Smith Stanistreet

Messrs Smith Stanistreet & Company Limited, Calcutta, the nationalised drug unit engaged in the manufacture and distribution of pharmaceuticals and chemicals has now been registered as a public sector company under the name 'Smith Stanistreet Pharmaceuticals Limited'. A private sector unit, the company had been nationalised on October 1, 1977 because undertakings of the company had suffered heavy losses and their management was being run in a manner highly detrimental to the public interest.

Previous to nationalisation the government had taken over the management of the company in May 1972 and the Indian Drugs and Pharmaceuticals Limited, a public sector undertaking had been appointed as the custodian. The working of the nationalised undertaking has steadily improved. The value of production during November 1977 to June 1978 was Rs 351.56 lakhs compared to production worth Rs 316.97 lakhs during the same period in 1976-77. The

government has taken steps to increase production further through rationalisation of product-mix, introduction of new products, improvement to technology and rationalisation and application of modern management techniques. The new company has an authorised capital of Rs 4 crores and will continue to manufacture drugs and pharmaceuticals. The government has already approved the company's modification and expansion programme at an estimated cost of Rs 75.58 lakhs.

Gujarat Alkali and Chemicals

Gujarat Alkali and Chemicals proposes to set up two new projects for manufacturing 1,500 tonnes a year of sodium cyanide and 1,500 tonnes a year of cyanuric chloride. The company has entered into a technical collaboration agreement with an East German firm for the sodium cyanide project and the agreement has been approved by the central government.

The cost of these two projects estimated at around Rs 7 crores is proposed to be met by loans from financial institutions and internal cash accruals. There is no proposal to issue fresh capital for financing these projects. The main raw material, hydrocyanic acid, will be obtained from Indian Petro Chemicals Ltd, Baroda.

Sodium cyanide is a deadly poison and GACL will be the first to manufacture it in the country. It is used in gold mines for mining purposes, in zinc units for beneficiation and in electroplating units. Cyanuric acid is a whitening agent and used in several industries. The company hopes to start commercial production of these products by early 1980. These are expected to add to the company's profitability considerably.

Jupiter Breweries

The working of Jupiter Breweries during the year ended October, 1977 has resulted in a loss of Rs 38.91 lakhs against the loss of Rs 18.44 lakhs in the previous year after providing Rs 4.53 lakhs (Rs 3.41 lakhs) for depreciation. Sales of beer totalled only Rs 15.95 lakhs against Rs 18.70 lakhs. The current year started well with gradual aceeptance of the company's product and expansion in sales volume. The company has been assured of steady power supply by the present state government. Sales during the period March to May 1978 have reached new levels. The working of the current year is, therefore expected to be better.

Universal Cables

The gross profit of Universal Cables was Rs 167.67 lakhs during the year ended March 31,1978 as against Rs 172.89 lakhs in the previous year. There has been an overall improvement in production and increase in sales turnover from Rs 18.26 crores to Rs 20.56 crores. Profitability, according to the directors, has been affected by the escalation in manufacturing costs. They have recommended the payment of ordinary dividend at the rate of 20 per cent for 1977-78 (same as in the previous year) on 1,735,648 shares (1,255,800 shares). To the gross profit is added Rs 4.64 lakhs as excess gratuity provision for earlier years. The previous depreciation is Rs 24.53 lakhs (Rs 23.73 lakhs), for investment allowance reserve Rs 3.80 lakhs and for taxation Rs 82.96 lakhs (Rs 83.50 lakhs). The transfer to general reserve is Rs 26.31 lakhs compared to Rs 39.94 lakhs in 1976-77. Exports of cables rose from Rs 2.22 crores to Rs 2.77 crores. The company has started the production of high voltage power capacitors based on polypropylene film technology. The directors think that production in the current year may be affected following the deterioration in aluminium supply.

India Foils to Step Up Output

India Foils is going ahead with its modernisation and expansion programme under which two imported aluminium foil rolling mills are being installed.

During the four-month period ended December 1977, the company incurred a total capital expenditure of Rs 18.04 lakhs, a substantial part of which is on replacement. Its factory is well equipped with plant and machinery which has been kept in good shape by a planned programme of maintenance and repalcement.

The company has received a letter of intent for expansion of aluminium foils manufacturing capacity by 750 tonnes per year. The issue of licence is subject to acceptance of export obligation, manufacture of certain specified items and a further dilution of foreign equity to about 66.23 per cent in two years. Exports during the period stood at Rs 28.76 lakhs. With the on-going modernisation programme, the company expects to increase productivity, reduce cost and improve quality of the products which in turn, should accelerate the rate of progress.

Elecon Engineering

Elecon Engineering Co has reported substantially improved working results for 1977. Its turnover increased from Rs 14.74 crores in 1976 to Rs 20.65 crores and the gross profit from Rs 2.61 crores to Rs 4.70 crores. After provisions and adjustments, the disposable surposal surplus is Rs 226.64 lakhs (Rs 61.07 lakhs). An equity dividend of 17 per cent has been declared. Equity and preference dividend will absorb Rs 29.89 lakhs (Rs 25.49 lakhs). General reserve gets Rs 170 lakhs (Rs 35.58 lakhs), leaving a sum of Rs 26.75 lakhs to be carried forward.

The company expected to do better in the current year considering the comfortable order book position of Rs 50 crores at the end of 1977. The company has successfully commenced manufacture of electric overhead travelling cranes. Necessary steps are being taken to implement the project for substantial expansion for the manufacture of various types of reduction gears with an annual capacity of 12,500 gears, since the letter of intent for the same has been converted into an industrial licence. The company has also received a letter of intent for the substantial expansion manufacturing conveying equipments with annurl capacity of 10,000 tonnes as also for manufacture of wagon marshalling equipments with an annual capacity of 300 tonnes.

Fertiliser plants : capacity utilisation

RECORDS AND STATISTICS

In reply to an unstarred question in the Lok Sabha on July 18, 1978, the minister of Petroleum, Chemicals and Fertilisers, Mr H. N. Bahuguna, gave details about the production and percentage of capacity utilisation by the fertiliser units in the country during the last three years. The minister said that the Haldia fertiliser project has not yet been commissioned and that there is no proposal to set up any additional capacity at Haldia at present. The information provided is set out in the two tables given below :

TABLE I

Plant-wise Production & Capacity Utilisation (%) of Nitrogen from 1975-76 to 1977-78.

(Production '000 tonnes)

Company	Units	1975-76		1976-77		1977-78		Remarks
		Production	% utilization of capacity	Production	% utilization of capacity	Production	% utilization of capacity	
1	2	3	4	5	6	7	8	9
				'A' PUBLIC SECTOR				
FCI	Sindri	46	66.7	25	46.7	9.3	23.3	
	Sindri Modernisation	—	--	—	—	—	—	
	Gorakhpur	67	72.0	95	84.8	88.7	67.7	Expansion by 51,000 tonnes w.e.f. Jan, 1976.
HCF	Namrup	45	102.2	46	104.4	45.3	102.2	
	Namrup Expansion	—	—	49	35.6	54.0	35.6	Commissioned from May 76.
	Durgapur	37	24.3	46	30.3	51.1	33.5	
	Barauni	—	—	25	32.8	38.1	25.1	Commissioned from Oct. 76.
RCF	Trombay	69	97.5	95	126.0	85.7	120.0	
	Trombay-IV	—	—	—	—	—	—	
NFL	Nangal	77	97.5	80	101.2	55.3	70.0	
	Nangal Expansion	—	—	—	—	3.3*	—	
	Bhatinda	—	—	—	—	—	—	
	Panipat	—	—	—	—	—	—	
FACT	Udyogamandal	45	54.9	43	52.4	50.3	61.3	
	Cochin-I	67	44.1	80@	52.6	74.4	48.9	
	Cochin-II	—	—	—	—	10.8*	27.0	Commissioned from April 77.
HSL	Rourkela	77	64.2	80	66.7	72.0	62.5	
NLC	Neyveli	27	38.6	43	61.4	41.2	58.7	
MFL	Madras	145	88.4	130	78.3	136.1	77.3	Expansion by 12,000 tonnes w.e. from, Oct, 76.
	By-products.	17	85.0	20	100.0	19.6	97.0	
	Total 'A'	719	65.2	857	69.5	835.2	59.6	

—*Contd.*

* Production under trial runs. @ Includes 3,000 tonnes of Nitrogen produced by phase II under trial runs.

1	2	3	4	5	6	7	8	9
				'B' PRIVATE SECTOR				
NCJM	Varanasi	5	50.0	5	50.0	4.6	46.0	
EID	Ennore	11	68.8	8	50.0	8.6	53.8	
GSFC	Baroda	158	73.1	173	80.0	173.5	80.3	
CFL	Vizag	48	60.0	64	80.0	55.2	66.5	Expansion of 3,000 tonnes tonnes from Oct. 76.
SCI	Kota	110	72.4	120	79.0	120.1	79.0	
IEL	Kanpur	178	89.0	188	94.0	196.4	98.2	
ZAC	Goa	113	66.1	123	72.0	146.4	85.6	
SPIC	Tuticorin	75	34.9	149	57.8	182.1	70.7	Commissioned from June 76.
MCF	Manglore	—	—	51	31.9	72.0	45.0	Commissioned from April 76.
TISCO	By products	3	75.0	4	100.0	3.1	75.0	
	Total 'B'	701	75.9	885	76.5	962.0	76.2	
				'C' COOPERATIVE SECTOR				
IFFCO	Kandla	115	53.5	158	73.5	203.1	94.5	
Grand Total 'A+B+C'		1535	70.0	1900**	72.5	2000.0	69.0	

**Includes 10,000 tonnes of Nitrogen in the form of A.S., Urea CAN during 1976-77 used for other than agricultural purposes but excludes 25,000 tonnes of Nitrogen produced during the year in in the form of other products used for industrial purposes.

Capacity utilization worked out taking into taking into acoount the industrial Nitrogen of units.

TABLE II

Plant-wise Production and Percentage Utilisation of Capacity of Phosphates for Years 1975-76—1977-78

(Production '000 tonnes)

Companies	Plants	1975-76		1976-77		1977-78	
		Production	Percent utilisation	Production	Percent utilisation	Production	Percent utilisation
1	2	3	4	5	6	7	8
				(A) PUBLIC SECTOR			
HCF	Trombay	34	94.4	45	125.0	37.6	104.4
	Trombay IV	—	—	—	—	—	—
FACT	Udyogamandal	21	47.7	26@	59.1	26.8	60.9
	Cochin II	—	—	—	—	29.0	25.4
MFL	Madras	60	70.6	56	56.9	95.9	85.4 Increased capacity by 27000 tonnes from Oct. 1976
	Sindri	—	—	—	—	—	—
	Khetri	—	—	—	—	—	—

—*Contd.*

1	2	3	4	5	6	7	8
	S.S.P. units	5	16.1	9	29.0	15.2	42.2
	New units	—	—	—	—	8.0	—
Total (A)		120	61.9	136	68.3	212.5	74.6
			(B) PRIVATE SECTOR				
FID	Ennore	9	90.0	8	80.0	10.9	109.0
GSFC	Baroda	28	56.0	33	66.0	40.6	81.2
CFL	Vizag	50	68.5	72	81.1	65.3	62.8 Increased capacity by 31000 tonnes from Oct. 1976
ZAC	Goa	8	19.0	21	50.0	34.8	82.9
SPIC	Tuticorin	—	—	1*	—	17.7	34.7
TSP	TSP	1	9.4	—	—	—	
	S.S.P. units	67	36.6	115	62.8	134.4	73.4
Total (B)		163	47.5	250	68.3	303.7	69.8
			C) COOPERATIVE SECTOR				
	IFFCO Kandla	37	29.1	94	74.0	153.8	121.1
Grand Total A+B+C		320	50.6	480	69.4	670.0	79.1

@ Includes 3,000 tonnes of P_2O_5 produced by FACT Cochin II under trial runs. *Under trial run

According to a statement in Lok Sabha on July 18, 1978 the following proposals for creation of additional fertilizer capacity in the country by way of expansion or extensions to existing facilities are under examination viz :

I. **Expansion to Namrup unit of M/s Hindustan Fertilizer Corporation Ltd.**

This is in the public sector. The proposal is to set up a 600 tpd Ammonia and 1000 tpd Urea plant based on gas as feedstock at Namrup as an expansion to the existing unit there. The feasibility report prepared for the project is under examination.

II. **Expansion to the Panki (UP) unit of M/s Indian Explosives Ltd.**

This is a project in private sector. Letter of intent has been issued to the company in April, 1978 to expand their existing capacity as under viz :

Ammonia 1,37,000 tonnes per annum

Urea 2,25,000 tonnes per annum

The expansion is to be based on Naphtha as feedstock.

III. **Applications for licence to effect substantial expansion in manufacture of fertilizers which are under examination:**

Name of applicant	Item and capacity applied for	Remarks
1. M/s Delhi Cloth & General Mills Co. Ltd. (Shriram Chemical Industries, Kota).	Ammonia 1,44,000 MTPA Urea 2,40,000 MTPA	This expansion is to be based on Naphtha as feedstock.
2. M/s Gujarat Narmada Valley Fertilizer Company Limited, Bharuch.	Ammonia 1350 t.p.d. Urea 1800 t.p.d.	Based on gas as feedstock.
3. M/s IFFCO, Kandla	NPK fertilizers—increase of capacity from 1,27,000 tpa to 2,60,000 tpa of P_2O_5	Based on imported Phosphoric Acid and MAP.

Regional rural banks come into their own

The committee on regional rural banks was appointed by the Reserve Bank of India in June 1977 under Prof M. L. Dantwala, to evaluate the performance of these banks. The committee has recognised the superiority of such banks over the commercial banks because of their lower relative cost and local participation in management. These banks had deposits totaling Rs 15.66 crores and the loans advanced came to Rs 19.58 crores of which weaker sections received Rs 11.17 crores.

THE COMMITTEE on regional rural banks (chairman: Prof M.L. Dantwala), in its report submitted to the Reserve Bank, has opined that the regional rural banks (RRBs) should be made an integral part of the rural credit structure. The assessment of the overall performance of these banks as made by the committee reveals that within a short span of time the regional rural banks have demonstrated their capability to serve the purposes for which they were established. The superiority of these banks as an agency of rural credit over the rural branches of commercial banks is derived from their relatively lower cost of operation, simplicity and low profile, local participation in management, feel and familiarity of local staff and close association of the district-level agricultural and rural development agencies and personnel. Pointing out that the regional rural banks are well suited for the purpose of filling the credit gap in the rural sector, the committee observes:

"The committee is definitely of the view that the RRBs with some modifications in their organisation and functions can become a very useful component in the totality of the rural credit structure. In fact, we are convinced that such an institution is needed to make good some of the inadequacies in the existing rural credit system . . . .The RRBs can make a substantial contribution towards improving the quality and quantity of credit flows to the rural areas by becoming an integral part of the rural credit structure.

Credit Structure

"The cooperative credit structure will not be disturbed at the base level. We assume that the reorganised primary agricultural credit societies (PAC) and farmers service societies (FSS), wherever they can be effectively organised, will constitute the base of the rural credit structure. We are fully aware of the weaknesses and shortcomings of the PACS and also of the fact that strenuous efforts made over in the past almost two decades to put them on a sound footing have not yielded expected results. Yet we are firmly of the opinion that there are no short-cuts to strengthening the cooperative credit structure at the base level".

The committee has emphasised that the programme for the establishment of RRBs needs to be accelerated, the most relevant criterion for their extension being the state of the cooperative credit structure at the district level. It is envisaged that over a period of time there will be total replacement of rural branches of commercial banks by regional rural banks and their branches in the command areas of RRBs.

Commenting on the re-regional rural banks' relationship with the cooperative credit structure both at the intermediate level (DCCBs) and at the primary level (PACS and FSS), the committee has this to say:

"The question is more complex. Where the cooperative structure at both these levels is inadequate, the regional rural banks can fill the gap. The regional rural banks with the approval of the cooperative leadership and the state government, can help to strengthen the retail level cooperative societies by routing their credit through them, as is being done by commercial banks under the system of financing of PACS . . . . The regional rural banks system should be extended to such areas where the DCCBs are not able to adequately serve the PACS within their jurisdiction. There are, however, areas where the cooperative structure at the intermediate level is fairly strong . . . We feel that the credit gap, both quantitative and qualitative, is so large that, given a spirit of cooperation, both the RRBs and DCCBs can function side by side without a clash of interest. The competition from the RRBs, which the DCCBs will face, will be no more acute than what they are facing today from the commercial banks and their rural branches".

The major recommendations made by the Dantwala Committee are summarised below.

Jurisdiction of RRBs

Normally a RRB should cover a population of 10 to 15 lakhs. From the angle of financial viability and managerial efficiency the reasonable number of branches (per district) for each regional rural banks will be between 50 and 60. This would mean that ah RRB branch would have a population of about 20,000 and an area roughly equal to that covered by five reorganis-

Gun And Shell Factory, Cossipore, Calcutta-2

The General Manager invites sealed tender from the bonafide Firms for Fabrication of Extruded & Drawn Brass Rod 41 mm dia to specn BS2874CZ121 in straight and random lengths of 1.5 mtrs and up and as per normal tolerances—120 M/T.

NB: The requisite Brass Stampings (CZ9B) that will be required for Fabrication of 120.00 M/T of 41 mm dia Brass Rod will be supplied by GSF. The stampings will be collected by the Firm from GSF/COSSIPORE/CALCUTTA-2 under their own arrangement against security deposit to be furnished by the firm prior to the lifting of Brass Stampings in the event of placement of S.O. Tender forms together with Schedule, and other papers will be obtained from the office @ Rs. 10/- (Non refundable) on any working day upto 12 noon, except 1st; 10th and last date of the months and Saturdays. Tender will be received upto 2.30 p m. on 29-8-78 and be opened the same day at 2.30 p.m.

For details see Indian Trade Journal of 26.7.78.

685(187)/78

ed primary agricultural credit societies.

Control and Regulation

There is no longer any need for central government control over RRBs through the steering committee. Such guidance and direction as the central government may like to provide to regional rural banks can be done through the instrumentality of the Reserve Bank. It will be necessary to have an appropriate organisational set up in the Reserve Bank to look after RRB work.

Share Capital

The authorised and paid-up share capital of regional rural banks should be one crore rupees and Rs 25 lakhs, respectively. The composition of share capital has to be as follows: Reserve Bank 25 per cent, sponsoring bank 40 per cent, state government 15 per cent and local participation 20 per cent.

Board of Directors

Each regional rural banks should have a board consisting of eight members (including one RBI official) plus the chairman.

Loan and Banking Business

While the regional rural banks should cater predominantly for the needs of weaker sections of rural population, they should be allowed to take up the financing of larger borrowers to a limited extent and also extend all types of banking services; at least 60 per cent of the loans advanced by these banks should be earmarked for the benefit of small farmers, rural artisans and other rural people. These banks should follow the principle of graded scale of finance to different categories of borrowers, paying due attention to their repaying capacity.

Rate of Interest

Whatever may be the level of interest rates charged and the provision of differential rates of interest, the RBI should take steps to bring about uniformity in the interest rate policy for all credit institutions —cooperative and commercial —catering to the requirements of the rural community.

Operational Aspects

As direct lending agencies the RRBs should have all the facilities which are already available to cooperative societies. Facilities such as automatic registration of mortgage of land and exemption from stamp duty should be extended to regional rural banks wherever this has not already been done. The relaxation and concessions made by the Reserve Bank should be continued at least for the first five years from the inception of regional rural banks. Facilities such as insurance cover, credit risk cover and eligibility to obtain refinance from ARDC should also be continued.

Management Structure

While all efforts should be made to keep down the cost of operations, these should not be done at the cost of efficiency. Besides the chairman, a regional rural bank should have a senior officer with a rank of general manager, technical officer and technical staff at the branch level or for a group of branches. The primary training responsibilities for all the staff of RRBs should rest with the sponsoring bank. It would be desirable to set up a separate institute called the rural credit training centre by each of the sponsoring banks to meet the training needs.

The committee was appointed by the Reserve Bank in June 1977 to evaluate the performance of regional rural banks which are regionally based and rural-oriented credit institutions sponsored by commercial banks and to indicate their precise role in the rural credit structure. The regional rural banks were brought into existence in October 1975 by the government of India to speed up credit flows in the rural sector especially to the weaker sections of the community.

As at the end of June 1977, there were 48 such banks with 767 branch offices covering 86 districts in 16 states. They had deposits totalling Rs 15.66 crores in 4.26 lakh accounts. The total loans advanced amounted to Rs 19.58 crores in 2.47 lakh accounts. Out of the total loans, small/marginal farmers and landless labourers received Rs 11.17 crores and rural artisans and others Rs 6.44 crores. Indirect loans accounted for Rs 1.95 crores and consumption loans for Rs 1.7 lakhs.

APPOINTMENTS

SIET INSTITUTE
(A GOVERNMENT OF INDIA SOCIETY)
REQUIRES

The Small Industry Extension Training Institute (Siet), a Government of India Society, is a leading national and international Institute providing training, research, consultancy and information services to persons engaged in Small Industry Development and Management.

1. **DIRECTOR (FINANCIAL MANAGEMENT) 1 post**

He should have a professional degree in Chartered or Cost Accountancy with at least 15 years experience in any industrial organisation of which 10 have been in a responsible capacity. A Post-Graduate Degree in an allied field and a degree in Business Administration will be desirable qualifications. He should be able to offer consultancy and training in: Cost Accounting, Budgeting, Profit Plans, Long Range Forecasts, Capital Structure, Project Evaluation, Working Capital Management, Evaluation of alternate investment analysis etc.

Age : Around 40 years.

2. **ASSOCIATE FACULTY MEMBERS (Finance) : 3 posts (One post is reserved for SC).**

Qualifications : The candidates should possess a Master's Degree in Business Administration with specialisation in Financial Management or Associateship of ICWA or Chartered Accountancy.

Experience : 5 years in any industrial or allied organisation.

Age : Around 30 years.

General : Besides pay, posts carry allowances at Central Government rates. The total emoluments likely to be drawn on initial appointment by Director (Financial Management) will be around Rs. 2,250/– and that of Associate Faculty Member can be Rs. 1,500/- per month.

Perquisites as applicable to Faculty Members will be provided. An amount equivalent to a single Ist class fare by shortest route from the present address in India to Hyderabad to defray the expenses of to and fro travel is admissible to candidates called for interview. Persons serving already in Government or Quasi-Government organisation should route their applications through proper channel. Candidates fulfilling the requirements can apply on the prescribed application forms obtainable from the Secretary, SIET Institute, Yousufguda, Hyderabad-500045 on sending a self addressed envelope (10x23 cm) duly affixing 55 paise stamps. Completed application forms along with the attested copies of certificates and testimonials should reach the Secretary, SIET Institute, Yousufguda, Hyderabad-500045 on or before August 22, 1978.

davp 78/191

Principal Items of India's Exports

(Rs crores)

Sl. No.	Items	1975-76	1976-77 (P)	April-November 1976	April-November 1977 (P)	Percentage variation in 1975-76 / 1974-75	Percentage variation in 1976-77 / 1975-76	Percentage variation in Apr-Nov. '77 / Apr-Nov. '76
1.	Tea	236.92	293.14	180.95	395.84	+ 3.9	+23.7	+118.8
2.	Coffee	66.65	125.75	79.28	140.74	+29.3	+88.7	+ 77.5
3.	Tobacco (unmanufactured)	93.13	96.84	80.84	100.59	+15.9	+ 4.0	+ 24.4
4.	Sugar	472.33	148.12	90.00	10.53	+39.3	−68.6	− 88.3
5.	Vegetable oils (non-essential)	35.63	48.58	39 15	13.47	+ 5.8	+36.4	− 65.6
6.	Groundnut	62.91	65.24	33.06	0.50	+146.0	+ 3.7	− 98.5
7.	Oilcakes	96.45	223.81	127.17	100.69	+ 0.5	+132.0	− 20.8
8.	Spices	71.52	72.92	27.22	67.50	+16.5	+ 2.0	+148.0
9.	Cashew kernels	96.14	105.99	88.03	123.04	−18.6	+10.2	+ 39.8
10.	Raw cotton	41.34	26.99	26.57	0.22	+171.6	−34.7	− 99.2
11.	Fish & fish preparation	127.18	181.53	123.29	115.65	+92.2	+42.7	− 6.2
12.	Iron ore	213.93	238.49	135.63	141.86	+33.4	+11.5	+ 4.6
13.	Mica	14.66	17.37	10.39	10.98	−19.4	+18.5	+ 5.7
14.	Manganese ore	17.64	19.10	8.35	3.50	−	+ 8.3	− 58.1
15.	**Cotton textiles**							
	a) Cotton piecegoods	161.24	253.96	152.76	156.16	+ 1.5	+57.5	+ 2.2
	b) Cotton apparel	146.40	257.00	162.30	136.02	+51.1	+75.5	− 16.2
	c) Other cotton manufactures	77.28	132.78	75.22	105.24	−13.4	+ 7.8	+ 39.9
16.	Leather & leather manufactures including footwear	222.98	293.10	188.10	167.43	+34.6	+31.4	− 11.0
17.	Jute manufactures	250.89	200.84	118.55	146.19	−15.5	−19.9	+ 23.2
18.	Fabrics of art silk & synthetic fibres & spun glass	15.39	28.87	18.40	19.63	−16.5	+87.6	+ 0.7
19.	Coir and coir manufactures	19.02	24.03	16.10	16.35	+ 6.1	+26.3	+ 1.6
20.	Engineering goods	412.97	554.43	346.69	394.51	+15.8	+34.3	+ 13.8
21.	Iron and steel	68.16	282.99	190.53	135.76	+223.7	+315.1	− 28.7
22.	Chemicals & allied products	85.32	110.77	68.65	76.98	− 8.2	+29.8	+ 12.1
23.	**Handicrafts**							
	a) Pearls & precious & semi-precious stones (unworked or worked)	148.51	287.02	159.70	307.10	+50.9	+93.3	+ 92.3
	b) Hand-made carpets & druggets	41.68	67.87	41.14	51.12	+18.7	+62.8	+ 24.3
24.	Plastic & plastic manufactures	7.26	16.23	9.75	10.89	− 6.8	+123.6	+ 11.7
25.	Rubber manufactures incl. crude rubber	11.39	30.66	18.00	19.19	−20.2	+169.2	+ 6.6
26.	Glass & glassware	6.47	11.34	6.20	15.04	+37.7	+75.3	+142.6
27.	Wood, lumber and cork manufactures	19.19	30.59	19.03	18.76	+ 8.1	+59.4	− 1.4
28.	Silver	187.85	151.46	124.45	41.95	+129.5	−19.4	− 66.3
29.	Minerals, fuels, lubricants and related materials incl. coal & coke	37.04	32.70	17.71	16.02	+81.4	−11.7	− 9.5
	Grand Total of Exports	4042.81	5143.35(R)	3177.71	3463.53(P)	+21.4	+27.2	+ 9.0

R = Revised P = Provisional.

EASTERN ECONOMIST

INDEX TO VOLUME 69

Nos. 1 TO 14

JULY TO SEP. 1977

ABBREVIATIONS

Leading Article	LA
Indira Gandhi and Eastern Economist	IEE
Point of View	PV
Capital's Corridors	CC
Window on the World	WW
Moving Finger	MF
Trade Winds	TW
Books Briefly	BB
Records and Statistics	RS
Readers' Roundtable	RR
Interview	IW
Feature	FE
Independence Day Issue	ID

(For Company Affairs see pages 189 and 193)

Registered Office :

UCO BANK BUILDING
Parliament Street, New Delhi-110 001

'M'

Management

Minerals and Metals

'N'

New Issues

'O'

Oil

'P'

Parliament

Planning and Policies

Plantations

Power

Prices

one... two... three...

........all set to win the fashion race.

*rajdoot * madhuban * ambassador*

the sensational three from

JIYAJEE SUITING

JIYAJEE FABRICS

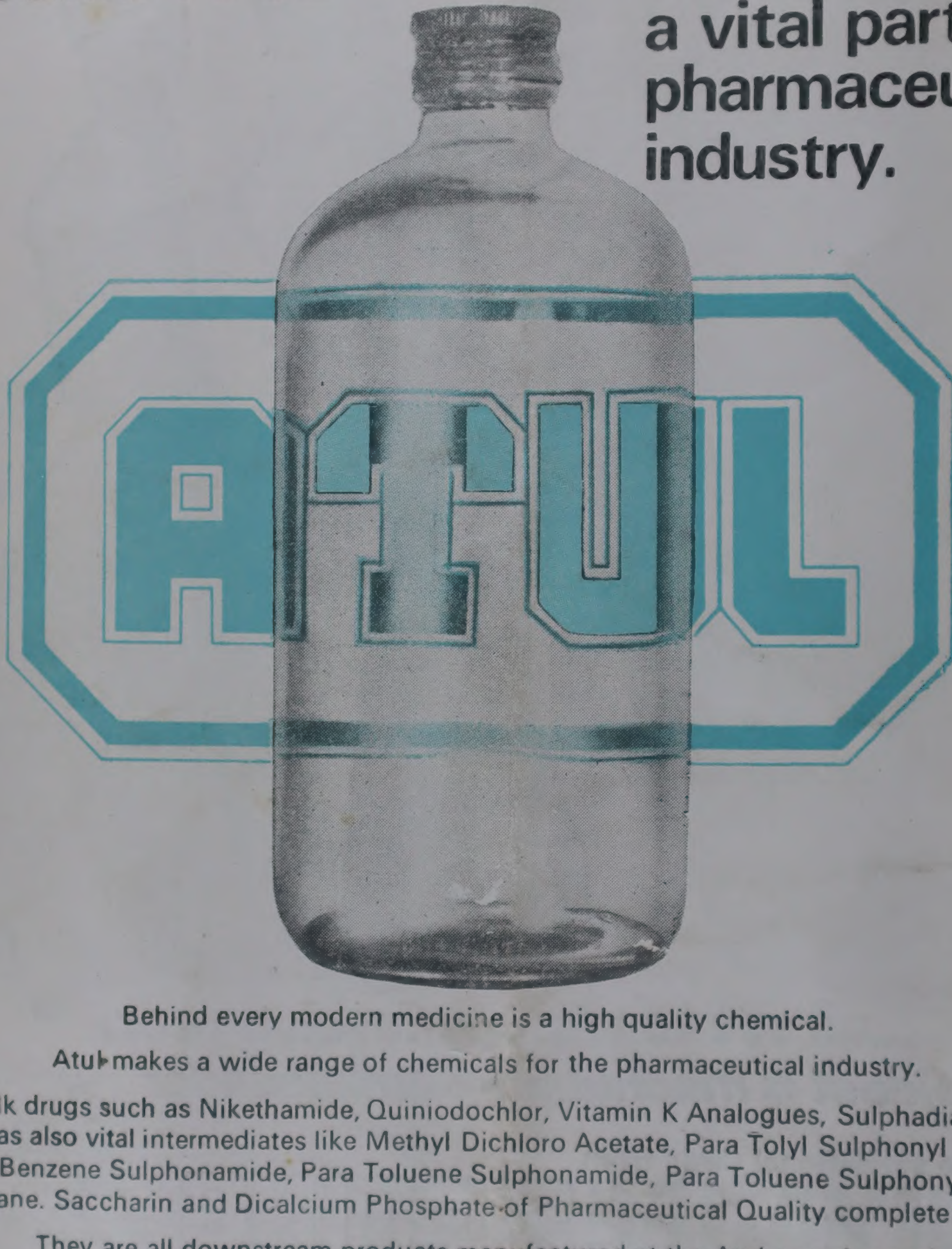
JIYAJEERAO COTTON MILLS LTD.
BIRLANAGAR, (M. P.)

Printed and published by R.P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.
Registered at the GPO, London, as a newspaper.
Editor : V. Balasubramanian

Registered with the Registrar of Newspapers for India under No. R.N. 535/57

You may never see a medicine labelled 'ATUL'

and yet we are a vital part of the pharmaceutical industry.



Behind every modern medicine is a high quality chemical.

Atul makes a wide range of chemicals for the pharmaceutical industry.

Bulk drugs such as Nikethamide, Quiniodochlor, Vitamin K Analogues, Sulphadiazine, Sulphathiazole as also vital intermediates like Methyl Dichloro Acetate, Para Tolyl Sulphonyl Ethyl Carbamate, Para Chloro Benzene Sulphonamide, Para Toluene Sulphonamide, Para Toluene Sulphonyl Chloride and Urethane. Saccharin and Dicalcium Phosphate of Pharmaceutical Quality complete the list.

They are all downstream products manufactured at the Atul complex and supplied to leading pharmaceutical manufacturers all over the country.

SILVER JUBILEE YEAR 1952-1977
THE ATUL PRODUCTS LTD.

THE ATUL PRODUCTS LTD.

P.O. ATUL, DIST. VALSAD, PIN: 396 020 (GUJARAT)
Tel: 61, 62, 63, 64. Gram: 'TULA' ATUL. Telex: ATUL SR-0178-284

Atul—25 years of constant endeavour and growth.

ADROIT-1216